



# **U.S. Department of State**

## **FY 2000 Country Commercial Guide:**

### **Saudi Arabia**

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#### **TABLE OF CONTENTS**

- I. EXECUTIVE SUMMARY
- II. ECONOMIC TRENDS AND OUTLOOK
- III. POLITICAL ENVIRONMENT
- IV. MARKETING U.S. PRODUCTS AND SERVICES
- V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT
- VI. TRADE REGULATIONS, CUSTOMS, AND STANDARDS
- VII. INVESTMENT CLIMATE
- VIII. TRADE AND PROJECT FINANCING
- IX. BUSINESS TRAVEL
- X. ECONOMIC AND TRADE STATISTICS
  - A. Country Data
  - B. Domestic Economy
  - C. Trade
  - D. Investment Statistics
- XI. U.S. AND COUNTRY CONTACTS
- XII. MARKET RESEARCH AND TRADE EVENTS
- I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Saudi Arabia's commercial environment, using economic, political and market analysis. The CCG was established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. CCGs are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government agencies.

The United States is Saudi Arabia's leading trading and investment partner. The United States also continues to be the leading supplier of services and defense equipment to the Kingdom. In 1998, the United States exported more than \$10.5 billion in merchandise, representing a 25 percent increase over 1997 exports. The United States has more than \$8 billion in direct investment in Saudi Arabia, primarily through joint ventures in petrochemicals.

Oil remains the lifeblood of Saudi Arabia, which has more than one-fourth of the world's proven oil reserves. However, the price of oil fell dramatically in 1998 and continued its downward trend through early 1999. Oil prices have increased since spring of 1999 and are approaching \$17 per barrel as of this writing. The weakness in the economies of Asia also led to reduced prices for petrochemicals. This will drag down per capita GDP to \$6500 in 1999, which reached an all time high in 1980 of \$15,700.

The reduced revenues for the Saudi Arabian Government, coupled with an expanding population growth estimated at 3.4 percent a year, have led the Government to put more emphasis on private sector expansion. The Government clearly recognizes that the economy needs to diversify in order to create jobs for Saudis, add to the technology base, enhance import substitution and expand exports.

As part of this recognition, the Saudi Government has initiated a program of privatization of Government-owned entities. It has already begun the process through initial corporatization of the Saudi Telecommunications Company (STC), formerly part of the Ministry of Posts, Telegraphs, and Telephones. It is expected that STC will be formally privatized sometime in the year 2000.

Other areas expected to be privatized include power generation, transmission and distribution, water, roads, and Saudi Arabian Airlines. In September of 1998, HRH Crown Prince Abdullah bin Abdul Aziz invited American oil firms to offer proposals for investments in the Saudi energy sector, primarily natural gas, which will play a critical role in the development and expansion of power generation. Saudi Arabia must add 2000 megawatts per year over the next twenty years to meet its energy needs. This expansion is expected to require investments of \$6 billion per year over the 20-year period. It will come primarily from the private sector through Build-Own-Operate (BOT) or Build-Own-Operate-Transfer models.

Saudi Arabia continues to negotiate for accession to the World Trade Organization (WTO).

Accession will require the Saudi Government to reduce tariffs, remove protectionist barriers to trade; open banking, telecommunications, and other service sectors to foreign participation; and improve intellectual property rights protection.

The Saudi Government is revising its 30-year-old law on foreign direct investment with an eye to attracting more foreign investment. The Government is also considering revisions to the tax code, which

currently taxes foreign corporate profits at rates as high as 45 percent.

In addition, the Saudi Government established a National Year 2000 (Y2K) Committee in August 1997. All Government organizations are to have tested their systems and prepared contingency plans by July 1999. A private sector task force has been created to track commercial activities and to disseminate information on the Y2K issue. In addition a Y2K Command Center, under Government auspices, will commence operations in the fall of 1999.

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## II. ECONOMIC TRENDS AND OUTLOOK

### Major Trends and Outlook

Low oil prices throughout 1998 dragged nominal GDP down 10.8 percent to \$130.1 billion, despite modest growth in the non-oil private sector and sizable growth in the governmental sector. This meant that the impact in 1998 was seen more in statistical data than felt in the streets and corporate boardrooms. The key question for 1999 is to what extent lagged effects from the 1998 oil price decline will be felt throughout the economy.

Over the past decade, the oil and private sectors have each accounted for about 36 percent of GDP, on average, while the government sector has accounted for about 26 percent. The shares vary as the value of oil production rises and falls.

Reduced oil production at lower prices in 1998 drove the oil component of GDP down 34.8 percent, according to official data. Prices for the Saudi benchmark Arab light crude fluctuated in the \$11 to \$12 a barrel range throughout most of 1998, before dipping to a monthly average price of under \$9 a barrel in December. By comparison, average prices were \$18.76 a barrel in 1997 and \$19.85 in 1996. Two rounds of production cut deals that Saudi Arabia helped engineer in March and in June of 1998 failed to raise prices. Under the cuts, Saudi Arabia agreed to reduce its production quota from 8.76 million barrels a day to 8.5 million barrels a day in March and then to 8.023 million barrels a day starting in September. On March 23, 1999, Saudi Arabia spearheaded a third OPEC production cut, which put the Saudi daily production quota at 7.438 million barrels starting April 1. Since then, prices for Arab light have been \$12-15 a barrel, with an upward trend.

Non-oil private sector growth slowed to 2.1 percent in 1998, down from 4.4 percent growth in 1997. Although detailed statistics are not yet

out, we assume that most of the slowdown was due to depressed petrochemical earnings and cutbacks in procurement and capital projects by the state oil company Saudi Aramco and by the Government. Depressed Asian demand for petrochemicals halved profits at the petrochemical conglomerate SABIC in 1998. Although SABIC is 70 percent state owned, it is nonetheless counted as part of the Saudi private sector; thus, the "non-oil private sector" is not entirely non-oil and not entirely private.

Saudi Arabia's rapid population growth--estimated at 3.4 percent a year--means an expanding consumer base, and this will drive some private sector growth regardless of shifts in oil revenues and government expenditure. During the past decade, private sector GDP grew at an average rate of 4.1 percent and never fell on an annual basis, even when oil sector GDP fell and Government spending was cut in 1993-1994. Private sector growth has been slower since the end of the Gulf war, however, and it does tend to slow in the wake of reduced oil revenues. With 2.1 percent growth in 1998, private sector output grew more slowly than the population, suggesting that jobs are not being created quickly enough to absorb the rising number of new entrants into the workforce.

The Government represented the fastest growing component of GDP in 1998, rising an estimated 8.8 percent, the highest growth rate for the sector since the end of the Gulf War. Part of the growth can be attributed to expansion of hospitals, schools, roads, and other public services and infrastructure that serve an ever-growing population. In addition, the Government's total salary spending increases yearly even without new hiring. Another portion of the growth may reflect improvements in fiscal accounting that better capture Government purchases of goods and services.

The Embassy expects nominal GDP in 1999 to grow slightly to \$131.4 billion. This forecast is based on the following assumptions:

-- Oil prices will firm gradually over the course of 1999, from the very low levels of the first quarter, leading to an average price for the year of \$12.40 for Arab light. Production will be maintained at 7.438 million barrels a day, in keeping with the latest Saudi-brokered OPEC production cutting agreement. This will result in budgetary oil revenues about 3.5 percent lower than in 1998 due to lower 1999 volumes. If the 1999 average oil price were to end up at \$13.40 a barrel, GDP would grow 3.3 percent to \$134.4 billion, while if the average price were \$11.40 a barrel, GDP would shrink 1.2 percent to \$128.6 billion.

-- The private sector will grow only minimally, as capital spending and other procurement by the Saudi Government and Saudi Aramco decline from last year's level.

-- The Government component of GDP will continue to expand, despite the spending cuts, as population growth increases the demand for Government services.

The economic contraction in 1998 drove per capita GDP down to an estimated \$6,600, the lowest level of the 1990s. Saudi per capita GDP had grown in the previous three years--rising from \$6,700 in 1995, to

\$7,000 in 1996, and \$7,600 in 1997. Based on the Embassy's GDP forecast, we expect per capita GDP to shrink further in 1999 to \$6,500. The 3.1 percent average GDP growth rate for the seven years following the Gulf war has lagged the estimated population growth rate of 3.4 percent a year. Per capita GDP has eroded substantially since its peak in 1980, when the Saudi per capita GDP of \$15,700 exceeded the comparable U.S. figure by \$2,500, in current dollars. By the end of 1998, U.S. per capita GDP had grown to \$31,500.

The long-term decline in per capita GDP and the demand for more jobs by Saudi citizens underscore the need for the Saudi Government to continue policies aimed at spurring private sector growth. Neither the oil sector nor the Government sector can be expected to grow faster than the population and provide jobs for many new entrants into the job market.

Saudis now number over 14 million and expatriates number about 6 million, based on extrapolations from the 1992 census and Ministry of Interior figures for expatriates. Our estimates also include deductions for the more than 1 million illegal residents that the Government has deported in a campaign launched in 1997.

In a 1997 labor force of 7.2 million, there were 2.5 million Saudis and 4.7 million non-Saudis, according to Saudi Manpower Council data.

Saudi Arabia has just begun to feel the pressures of unemployment among Saudi males. Official unemployment data are not available, but it is clear that job creation remains limited in Saudi Arabia. Many new industrial projects are highly capital intensive. Yet with about half the population below age 18, hundreds of thousands of Saudis are expected to enter the job market each year.

Traditional sources of jobs--especially the Government, which only recently lifted a hiring freeze--are drying up. One option for dealing with the employment problem is to substitute Saudis for foreigners in the labor force, i.e., Saudiization. Sensing the need to find work for Saudis, the Saudi Government has put teeth over the past three years in its long-standing Saudi-ization programs by compelling private sector firms to increase the proportion of Saudis in their workforce by five percentage points a year. It has also established certain job categories that are to be set aside for Saudis for any new hires. While this may provide some short-term relief to Saudi job seekers, in the long run, market forces in a robust private sector with strong labor needs will be more effective at providing jobs for Saudis than Government attempts to compel companies to hire Saudis.

The Saudi Government has stated its recognition that the private sector needs to become the engine of economic growth and source of jobs, most notably when Crown Prince Abdullah proclaimed in a speech to the Gulf Cooperation Council in December 1998 that "the boom days are over." The Government has taken the following first steps aimed at introducing more diversification, competition, and sustainable growth, and attracting foreign and overseas Saudi capital to Saudi Arabia:

Saudi Accession to the World Trade Organization (WTO). Saudi Arabia continues to negotiate accession to the WTO. Accession will require

the Saudi Government to place ceilings on tariffs, remove protectionist barriers to trade, open banking, telecommunications, and other services sectors to foreign participation, and improve intellectual property rights protection.

**Opening of Capital Markets.** The 13-year-old Saudi stock market, while technologically sophisticated is still maturing. Greater market capitalization would provide a means for pension funds and banks to shift away from government bonds. Reacting to the small number of new listings, the authorities in 1998 eased the listing requirements issued in 1997. The Ministry of Finance and National Economy and the official Saudi Credit Bank are exploring ways to promote the development of small and mid-sized businesses, with the Ministry proposing to contribute 100 million Saudi riyals (\$26.7 million) to establish a small business lending program. Some Saudi commercial banks are also considering ways to lend to startup firms. Saudi officials are also exploring ways to foster limited recourse project finance arrangements--such as build-operate-transfer (BOT) and build-own-operate-transfer (BOOT)--for major infrastructure projects now funded by state-owned or state-dominated utilities. More generally, privatization would help broaden and deepen capital markets and relieve the burden placed on the Saudi Government for funding.

**Revision of Laws Affecting Foreign Investment.** The Saudis are revising their 30-year-old law on foreign direct investment with an eye to attracting more overseas capital, including the large private Saudi assets now invested abroad. The Government is also considering revisions to the tax code, which currently taxes foreign corporate profits at rates as high as 45 percent. Saudi officials have said the new law will be approved in 1999, but the exact timing remains uncertain. In another important move, the Crown Prince last September invited foreign oil companies to submit proposals for projects they could undertake in the upstream petroleum and natural gas sectors; it has become clear since then that the Saudis are primarily interested in natural gas development projects. International oil companies have responded enthusiastically, and have begun to submit initial proposals. As the Saudis respond, the scope and scale of this opening will become clearer.

**Privatization.** The most likely privatization in the near term could be for the basic telecommunications firm. In May 1998, the Saudi Government announced the establishment of the Saudi Telecommunications Company (STC) out of the PTT Ministry, as a first step toward some form of privatization. The STC will run a corporate balance sheet for 18 to 24 months and then will be valued and at least some shares offered to the public. Important issues remain unresolved, including the duration of monopoly powers, the percentage of the company to be sold off, and the role of any possible foreign strategic partners. Potential foreign partners have expressed interest.

Other privatization efforts are smaller or lagging. Over 1997 and 1998, the Government contracted out nearly all seaport operations to private corporations, both foreign and domestic. It also offered management contracts for some of Saudi Arabia's airports. The Government authorized the establishment of private post offices that feed mail into the government postal system. In late 1998, the Council of Ministers announced plans to merge the regional electric companies

into a single, nationwide Saudi Electric Company. Many observers view this as a prelude to eventual private participation in at least some aspects of the electric power industry. By involving private equity capital in utilities and other infrastructure, the Government would reduce both existing and future debt. Rumors abound about the possibility of ultimately privatizing water, roads and Saudi Arabian airlines.

**Fiscal Reform.** Under its current five-year plan, the Government has a goal of balancing the budget by 2000. In the absence of thorough fiscal reform on the revenue and spending sides, its prospects for doing so remain largely at the mercy of world oil prices. There is considerable structural rigidity in the Saudi Government budget and little room for discretionary and capital expenditures. The Embassy estimates that government salaries and debt service will exceed three-fourths of 1999 expenditures, and the health and education budgets are politically difficult to cut. Some form of taxation whether a value-added tax, a domestic corporate income tax, or even a personal income tax that increases when the private economy grows would reduce over-reliance on oil revenues.

**Y2K Compliance.** The Saudi Government established a National Y2K Committee in August 1997. The Committee includes members from all key government ministries and state entities, and is chaired by a senior official from the King Abdulaziz City for Science and Technology.

Pursuant to a directive of the Y2K Committee, all government entities are to have completed testing of their systems and finished the preparation of detailed contingency plans by July 1999. In addition to the National Y2K Committee, a private sector task force has been established to monitor business activities and share information on Y2K compliance. Additionally, the Saudi National Y2K Committee is establishing a Y2K Command Center, which will begin operations in the fall of 1999.

The National Y2K Committee has been examining compliance on a sector-by-sector basis. Preliminary indications are that the national oil company, Saudi Aramco, and the country's banking system are in full compliance. Some positive results have been reported with respect to the national telephone, water and electricity systems, though some remediation efforts and further testing are on-going. The most severe problems have been noted in the public health sector, and contingency plans are being drafted to ensure the provision of at least emergency medical care.

## Principal Growth Sectors

### Manufacturing

The Saudi industrial sector continued to grow in 1998. The 1998 Government figures revealed that there were more than 3,100 factories in Saudi Arabia capitalized at more than \$61.9 billion with a workforce of about 282,000. The Ministry of Commerce figures for 1998 indicated that the private sector recorded a 2.1 percent growth in current prices compared to a 1.6 percent growth for the economy in real terms. In 1998, the non-oil processing industries recorded the strongest growth at 5.5 percent, lower than the 8.6 percent recorded in 1997.

Although the state-owned petrochemical company, SABIC, continued to record real growth of 7 percent in 1998, the downturn in world petrochemical prices negatively influenced the company's revenues and profits. Commercial bank credit to the manufacturing sector increased 46 percent to \$5.56 billion in 1998.

## Agriculture

Despite the goal of the Saudi Sixth Development Plan (1995-2000) to reduce water consumption by two percent annually over the plan's period, many sources do not believe this target will be met. The agricultural sector consumes a large majority of all water.

The wheat and barley production quotas remained unchanged in 1999 from 1998 (1.8 MMT for wheat and 1.0 MMT for barley). The Grain Silos and Flour Mills Organization (GSFMO) is the government agency responsible for setting production targets, distributing wheat and barley quotas to farmers, organizing the collection of wheat and barley, milling wheat, and organizing the discharge, bagging and distribution of these grains. GSFMO policy over the past few years has been to target wheat production to meet domestic needs only. Despite the 1 MMT barley quota, farmers again are not expected to produce more than 400,000 metric tons in 1998, due to a narrowing of the gap between production "support" prices and production costs.

GSMFO liberalized the importation of barley in spring 1998. Private traders can now import, distribute, and sell barley at prevailing market prices. The import duty on barley is zero. GSFMO recently held a tender to sell-off most of its remaining stocks of barley. Saudi Arabia remains the world's largest importer of barley, taking about one-third of the 15 million metric tons traded in world markets. Barley is used predominantly for feeding of sheep, camels, and goats.

The Saudi Government does not allow the importation of wheat. However, GSMFO officials recently held talks with officials of the International Monetary Fund (IMF) to discuss ways to privatize the Kingdom's 17 flourmills. Many believe that if and when the mills get privatized, wheat imports will be permitted. Saudi Arabia will again return to being a wheat importer as it was before the green revolution of the 1980s.

Domestic production of alfalfa for use by Saudi dairies and those in neighboring countries continues to increase. Alfalfa producers now use center pivots once used for wheat production.

Livestock and poultry farming are growing steadily in Saudi Arabia. The two largest poultry producers, Al Watania and Al Fakieh, completed expansion projects in 1996, causing broiler output to jump 30 percent in 1999 compared to 1996. U.S. corn and soybean meal exports to Saudi Arabia averaged over \$200 million annually over the past two years. Despite the increase in domestic output, Saudi Arabia remains a significant importer of frozen broilers; hence there remains much room for expansion.

The three largest dairy producers, Al-Marai, Al-Safi and NADEC, have been engaged in exporting significant quantities of liquid milk and dairy products to Yemen and the Gulf Cooperation Council (GCC)



countries. Only Saudi companies or citizens, or those from the other GCC countries (Kuwait, Bahrain, Qatar, UAE and Oman) may own land or engage in internal trading and distribution activities. Similarly, only joint ventures with at least 51 percent GCC ownership interest are permitted to export duty-free to other GCC countries.

Despite significant gains in locally produced fresh fruits and vegetables; demand for imported processed and packaged food items remains strong. With a growing population and an increasing demand by Saudi consumers for new food products, the number of large Western-style supermarkets continues to expand, exceeding 250 Kingdom wide. U.S. exports of consumer-oriented food products to Saudi Arabia reached a record high of \$126 million in CY 1998.

The number of food processing companies also continues to expand. Both local and well-known national brand potato chips, snack foods, fruit juices, and other products are produced in Saudi Arabia. Most food processors rely extensively, if not entirely, on imported raw ingredients. In addition, given the huge number of expatriate third-country nationals working in Saudi Arabia and requiring room and board, the demand for institutional-size food products by the catering sector remains strong.

#### Mining

Saudi Arabia has substantial deposits of a number of minerals, including iron ore, phosphates, bauxite, copper, and other precious and non-precious metals. The Sixth Development Plan seeks to further encourage private-sector investments in that sector, which is expected to grow almost 9 percent annually to the year 2000.

Studies conducted by the Directorate General of Mineral Resources (DGMR) have revealed large quantities of minerals in 42 fields spread throughout the Western and Central regions of the Kingdom.

In April 1997, the Saudi Government established the state-owned Saudi Arabian Mining Company (Ma'aden). The company is expected to organize the Saudi mining sector and consolidate all mining projects in which the Government is involved. Ma'aden has already obtained concessions to produce gold and silver from the Al-Abar, Al-Hejar, and Al-Souq gold mines.

In addition, Ma'aden has permits for exploration of industrial minerals in all parts of the country. The Government provides many incentives to attract foreign investors, such as a tax exemption for five to 10 years, and a 30-year extraction concession.

The Ministry of Petroleum and Mineral Resources welcomes private investment in mining, including prospects for developing of large deposits of phosphate and bauxite.

#### Construction

Historically, the construction sector is a good indicator of Saudi Government spending levels. In recent years, however, declining government spending has had little or negligible impact on the Saudi construction sector due to greater private sector activity and

increased lending by the Real Estate Development Fund (REDF) in financing housing development.

Nevertheless, Saudi Arabia is the largest market for contractual works in the Near East. Spending exceeded \$20 billion in 1998, according to a report published by the American Statistics Department and the News Record Journal. Construction and expansion in the power, water, telecommunications, and petrochemical sectors are moving forward with a number of projects already being implemented and others in the planning stage. Housing starts and expenditures on urban development projects are expected to increase to cater to a growing population and an increased number of new households.

The construction sector grew 1.9 percent in 1998, and commercial banks' credit to the building and construction sector rose by 20 percent to more than \$5.0 billion during the first three quarters of 1998, up from \$4.2 billion a year earlier. The Saudi Government is committed to expanding the country's power generation capacity to more than 30,000 MW by building more power plants and expanding existing ones. This sector will need \$120 billion of new investment over the next 20 years. Likewise, water desalination capacity is scheduled to grow to more than 800 million gallons a day, assuming major conservation measures are not introduced.

#### Banking

Profitability at Saudi Arabia's 11 commercial banks increased by over 10 percent in 1998, from \$1.48 billion in 1997 to \$1.63 billion in 1998. For the fourth year in a row, the Al-Rajhi Banking and Investment Corporation had the highest net profits at \$380 million. At the end of 1998, the cumulative size of the banks' balance sheets had grown by 6 percent over 1997 to about \$108 billion.

Bank claims on the private sector rose 20 percent in 1998, which probably explains the reduction in the banks' net foreign assets from \$14.3 billion in 1997 to \$11.4 billion in 1998. Bank claims on the public sector also rose by \$2.4 billion, an 8.5 percent increase that was concentrated in additional bond holdings.

The major recent development in the banking sector was the announcement in January 1999 of a proposed merger between Saudi American Bank (SAMBA) and the United Saudi Bank (USB), which is going forward and expected to be finalized sometime in July 1999. In 1997, USB was itself the product of a merger between United Saudi Commercial Bank and Saudi Cairo Bank.

In a separate development, the six member countries of the Gulf Cooperation Council (GCC) have decided to permit their banks to operate in one another's territories.

The loan-to-deposit ratio of the consolidated banking system rose to 67.8 percent in 1998, up from 59.1 percent the year before, but still within internationally acceptable bounds. With strong and conservative oversight by the central bank, Saudi Arabia's commercial banks have shown an ability to sustain profitability even during years of sluggish economic performance. During 1998, as well as previous years, the banks stood out as among the strongest performers in the private

sector. If the oil price recovery is sustained, the banks may see slower, but still strong, profit growth in 1999.

The Saudi stock market as measured by the NCFEI (National Center for Financial and Economic Information) index fell 28 percent in 1998, offsetting a similar gain in 1997. The market fell further in the first two months of 1999 before recovering in March 1999 on news of a new round of oil production cutbacks and resultant price hikes. Although the market capitalization of the Saudi bourse is large in absolute terms as compared to regional stock markets, it amounts to only one-third of Saudi GDP, a relatively small ratio. The market remains highly concentrated, with SABIC (the state-owned petrochemical company) alone accounting for 18 percent of market capitalization. Five firms - SABIC, three banks, and one regional electricity company - account for half of the total market's capitalization.

The banking sector remained the most actively traded sector by far, but bank shares followed the rest of the market downward despite good corporate earnings growth at nearly all of the listed banks.

#### Oil and Gas

Saudi Arabia possesses 261.5 billion barrels of proven oil reserves, or one-fourth of the world's total, and 204 trillion cubic feet of natural gas reserves. Oil accounts for 34.8 percent of GDP and more than 85 percent of Saudi exports.

The keystone of the Government's plans for the oil sector is to place a substantial portion of Saudi crude exports into downstream facilities to add value in the refining process.

The completion of the Shaybah oil field enabled the Saudi Government to raise oil revenues without affecting the overall production level. The Shaybah field pumps 500,000 barrels/day of new production capacity. Saudi Aramco, the national oil company, will also continue its exploration efforts for oil and gas, particularly gas not associated with crude reserves. Those efforts will help meet the power and gas feedstock needs of Saudi industries and utilities. Already, plans are under way to convert power stations that currently burn crude oil to utilize natural gas that has far lower maintenance costs and a lower environmental impact.

A major development occurred in September 1998 when the executives of seven U.S. oil companies were invited to meet with Crown Prince Abdullah during his visit to Washington, D.C. During that meeting, the Crown Prince asked each of the representatives to present proposals for investments in the Saudi energy sector, without specifically ruling out participation in the Saudi upstream oil sector. However, the Crown Prince noted that his initiative was mainly aimed at the Kingdom's natural gas sector.

The Crown Prince's initiative generated intense interest among U.S. and later non-U.S. oil companies that were also invited to submit proposals.

A key development over the past decade has been Saudi Aramco's growing presence overseas. That trend began in 1988 when Saudi Aramco

established a joint venture company, Star Enterprises, with Texaco in the United States.

Aramco also acquired a 50 percent interest in a Greek refining and marketing firm, Motor Oil (Hellas) Corinth Refineries and Avinoil Industrial Commercial and Maritime Oil Company.

The main Aramco downstream focus in recent years has been East Asia. The company bought the Korean affiliate, Ssangyong; it also has a 40 percent share of Petron, the largest oil refiner in the Philippines.

In October 1997, Aramco announced a deal with Exxon and a Chinese entity to set up a joint petrochemical project in southeastern China. In November 1997, Aramco and Shell announced an alliance to invest in India's downstream oil sector.

Finally, in June 1998, Saudi Aramco formed an alliance with Shell Oil and Texaco called Motiva. That venture includes three refineries and over 9,000 service stations from Star Enterprises. This network is added to a larger downstream joint venture with Shell Oil that covers 23 states in the eastern U.S. and Gulf Coast region.

#### Water Desalination

Saudi Arabia has more than 25 water desalination plants that provide approximately 726 million cubic meters of potable water daily accounting for 70 percent of Saudi Arabia's supply of drinking water.

That figure is expected to reach 800 million cubic meters once a number of projects and expansions are completed. During 1998, the Shuaiba first phase was commissioned providing 25 million gallons per day to both Makkah and Taif.

The most pressing projects include a second station at Shuaiba and another at Yanbu, both on the Red Sea, plus a third station at Al-Khobar plant on the Arabian Gulf coast.

The second phase of the Shuaiba plant, estimated to cost \$1.07 billion, is expected to supply 60 million gallons a day to Jeddah. The Ministry of Agriculture and Water is currently working on a national water plan study. Based on the plan, the Ministry will allocate more than \$4 billion in order to provide water to all regions of the Kingdom over the next nine years. The Kingdom has a comprehensive network of water pipelines extending over 1,250 miles and 98 reservoirs with a total capacity of 105 million cubic feet.

The Saudi Government already provides water at a highly subsidized rate, 60 to 70 percent of its actual cost, close to three cents per cubic meter, which is a fraction of the average rate paid in industrialized countries. The Government is considering raising the rate for water.

#### Insurance

A local insurance company reported that insurance premiums were \$2.06 billion in countries of the Gulf Cooperation Council (GCC), Saudi

Arabia, Kuwait, Qatar, Bahrain, Oman, and the United Arab Emirates. With approximately 27.5 million people living in the GCC states, insurance per capita is about \$75. Saudi Arabia is the largest market in the GCC and the second-largest in the Arab world.

Insurance premiums in Saudi Arabia amounted to \$760.5 million in 1997, a 5.1 percent growth over last year. Based on a local survey, there are close to 70 insurance companies in Saudi Arabia offering all categories and classes of insurance. Medical insurance registered the highest growth at 25.1 percent reflecting an increased awareness and a move toward private healthcare providers.

Motor insurance was the top class of insurance, accounting for more than 23 percent of written premiums, followed by medical at around 18 percent, and fire at 14 percent. Insurance premiums covering oil facilities, major projects, marine and aviation represent 44.4 percent of total premiums.

#### Government Role in the Economy

The Saudi Government faced a sharp drop in oil revenues in 1998, driving up the fiscal deficit to \$12.3 billion or 9.5 percent of GDP. This was about 2.5 times the budgeted deficit. By comparison, the Government's revised data put the 1997 deficit at \$4.2 billion or 2.9 percent of GDP, the lowest level in the past 16 years of fiscal deficits. The ratio of accumulated public debt to GDP crossed the 100-percent mark in 1998, a psychologically important threshold and a reminder of the Government's growing debt service burden. Although nearly all of this debt is financed domestically, it does crowd out other spending. Oil revenues typically account for about three-fourths of Saudi Government revenues--even with the big decline in oil revenues, their share fell to only 70 percent in 1998.

The Government's reported 1998 revenues of \$38.1 billion were 20 percent below the original budgetary projections. Reacting in the spring of 1998 to the fiscal crunch, the Government introduced new sources of revenue, including increased fees for work permits for foreigners, a new airport departure tax, and a 50 percent increase in gasoline prices at the pump. A more substantial gain came from Saudi Aramco's unusual resort to international and domestic credit markets.

Aramco tapped an existing credit facility for \$2 billion in the spring and arranged for another \$2.6 billion through an internationally syndicated loan in the summer. By financing most or all of its 1998 operating and capital expenditures, Aramco was able to release additional oil revenues to the Government.

On the spending side, the Government responded with a variety of measures that pared 3.5 percent from budgeted outlays, resulting in total spending of \$50.4 billion in 1998. Thus, after many years of overspending the budget, the Government showed fiscal discipline. Among the measures imposed was a Council of Ministers decree in May 1998 that froze all unsigned Government procurement contracts, froze hiring for almost all categories of Government employees, and cut existing operations and maintenance contracts by 10 percent. The Government also reaped bookkeeping savings from the corporatization of the Saudi Telecommunications Company (STC).

By establishing a separate set of books for the state-owned telephone company as a first step toward some form of privatization, the Government moved the STC's expenditures in the second half of the year off of the central Government budget. Finally, the Government cut spending sharply for foreign military purchases, including those under the U.S. Foreign Military Sales program (FMS).

The Government also stretched out payments to contractors--generally but not always keeping within maximum contractual payment schedules--and paid many contractors with special Government bonds (SGBs). The Government issued over \$3 billion in riyal-denominated SGBs in 1998, and gave contractors equal tranches of 1-, 2-, 3-, and 4-year bonds. For most of the year, yields were set at a level slightly above that of comparable U.S. treasuries. Most contractors opted to sell the bonds onward to local commercial banks and had to sell them at a percentage discount that varied in the low single digits.

The SGBs soaked up most of the bank appetite for Government paper during the year, especially since banks could essentially name their price with contractors looking to cash in the bonds. This reduced demand for SGDBs, which traditionally had paid a yield roughly half a percentage point (35 to 50 basis points) over that of comparable U.S. treasuries. In December 1998, the central bank, SAMA (the Saudi Arabian Monetary Agency), offered a new slate of bonds to local banks, replacing the 1-, 3-, and 5-year menu with a 1-, 5-, and 10-year menu, and raising the yield to roughly 2 percentage points (200 basis points) over that of comparable U.S. treasuries. This new pricing policy--presumably aimed at better meeting the market--puts SGDBs in price range between baa and ba (i.e., capital b, small double-a, and capital b, small a-- the boundary between investment grade and subinvestment grade) U.S. corporate bonds.

Pension and social security funds soak up a much larger share of Government bonds than do domestic banks. The 1999 government budget cuts all functional categories of expenditures, with defense taking the biggest hit, an estimated 22 percent cut.

The budget imposes cuts to health, education, and other social services of only 6 percent, in keeping with Crown Prince Abdullah's public commitment to deal with the fiscal crisis without financially hurting the average Saudi. In order to achieve this, however, the budget plans for a fiscal deficit of \$11.7 billion, not much below the actual 1998 deficit. The budget projects total spending of \$44.0 billion, nearly 13 percent below actual 1998 expenditures.

After the big drop in defense spending, the next biggest cut in absolute terms is in the transportation and communication section of the budget, which falls by \$1.7 billion, a cut of 55 percent from the level budgeted for 1998. Apparently, most of this cut derives from the bookkeeping savings from the establishment of the Saudi Telecommunications Company (STC). Conversely, STC also earns money that formerly would have appeared as budgetary revenues. The Embassy expects the Government to exceed its spending target slightly, as rising oil revenues weaken fiscal resolve. The 1999 budget projects total revenues of \$32.3 billion, 15 percent below

actual 1998 revenues. The Embassy estimates that Saudi budget planners used an average oil price of \$10 a barrel--a prudently conservative figure based on the world oil market in late 1998--and the then prevailing production level of 8 million barrels a day.

The recent rise in oil prices after a production cut will net the Saudis additional revenue. At 1999 average production levels, each \$1 rise in the average annual price of Saudi crude generates over \$2.7 billion in additional revenue. The Saudi Government announced a 50 percent hike in gasoline prices, which should net over one-half billion dollars in 1999, meaning non-oil revenues should rise to around \$12.5 billion.

Although the budget projects a deficit of \$11.7 billion, the Embassy forecasts that higher oil revenues will reduce the deficit to about \$4.8 billion, or 3.7 percent of GDP. This forecast is based on an average annual price for Saudi crude of \$12.40, and it assumes that production will remain at 7.438 million barrels a day for the rest of the year.

#### Balance of Payments Situation

The drop in the value of oil exports drove the 1998 Saudi current account balance deeply into deficit after two years of slight surpluses. Expatriate remittances of about \$15-16 billion a year weigh heavily on the current account. The Government announced an estimated current account deficit of \$13.1 billion for 1998, after surpluses of \$254 million in 1997 and \$681 million in 1996. Goods exports fell 16 percent in 1998, while goods imports were essentially flat, according to U.S. Government and Embassy estimates based on partner country data. U.S. goods exports to Saudi Arabia in 1998 soared 25 percent to \$10.5 billion, according to U.S. Commerce Department data. This boom was due to the delivery of a new passenger aircraft fleet to the national airline, which more than offset declining sales in almost every other category. U.S. imports from Saudi Arabia fell by 29 percent to \$7.2 billion in 1998, due to the drop in oil prices.

For 1999, the Embassy expects the current account deficit to remain flat at about \$13 billion, or 10 percent of GDP. Any modest declines in imports and personal remittances by expatriates due to Saudi-ization of jobs are likely to be offset by an expected drop in oil export value.

Non-oil exports, including petrochemicals, accounted for 14 percent of total Saudi exports in 1997, the latest year for which data are available. In light of the 50 percent drop in 1998 profits for petrochemical giant SABIC and the economic slowdown in many of Saudi Arabia's export markets, we expect that non-oil exports will show a decline for 1998.

The expected 1999 current account deficit will probably be financed by a combination of means similar to those used in 1998:

-- Both Saudi Aramco and SABIC borrowed substantially through internationally syndicated credit facilities in 1998. Likely higher interest rates may reduce--but not eliminate--such Saudi parastatal borrowing in 1999.

-- Commercial banks will probably continue to repatriate foreign assets to lend domestically. The banks reduced their net foreign assets by 20 percent to \$11.4 billion in 1998, presumably to back domestic lending. Bank claims on the private sector rose by 20 percent in 1998; claims on the Government rose 8.5 percent.

-- Saudi Government agencies appear to have harvested some overseas assets, and we expect this to continue in 1999.

The Government's official net foreign assets managed by SAMA fell to \$53.1 billion as of June 1998, down from \$59.1 billion a year earlier. SAMA as of June 1998 also held an additional \$29.2 billion in foreign assets of the autonomous Government institutions, such as the Pension Fund; their foreign asset holdings rose from \$26.9 billion in June 1997. Saudi official foreign assets as of June 1998 included the following:

-- \$17.8 billion worth of foreign currencies convertible to gold as backing for the Saudi riyal. The Kingdom's currency law requires that gold or foreign exchange convertible to gold be held as one-for-one backing of every riyal issued.

-- \$6.2 billion in deposits with banks abroad. This is the figure reported to the International Monetary Fund as Saudi Arabia's foreign exchange reserves and is equivalent to about 2.8 months worth of imports. SAMA has historically opted to keep a relatively small proportion of official foreign assets as liquid foreign exchange reserves.

-- \$29 billion in investments in foreign securities. Under SAMA's accounting practices, these assets are booked at their value at the time of purchase, so this figure does not account for market gains. At the same time, since no information is publicly available regarding the composition of the Saudi official investment portfolio, it is difficult to assess how easily it could be liquified.

#### Inflation and Monetary Policy

The Central Bank brought new tools to bear in 1998 as it staved off foreign speculators' pressure against the riyal's dollar-pegged exchange rate, a rate last changed in 1986 to 3.7450 riyals to the dollar.

Overseas speculators apparently thought that devaluations and depreciations of the currencies of other oil-based economies from mid 1998 to March 1999 implied weakness in the riyal as well.

SAMA reacted swiftly and determinedly to defend the riyal by relying on its substantial foreign assets. SAMA's interventions drove down the spread in interest rates that local banks pay on riyal versus dollar accounts.

This spread had risen to levels as high as 200 basis points (2 percentage points) in August 1998 and again in February 1999, some 10 times its traditional spread of around 10 to 30 basis points. SAMA sold 19.6 billion riyals (\$5.2 billion) in 1998, compared to a mere 2.3



billion riyals in 1997, presumably as part of dollar/riyal swaps--wherein SAMA would sell riyals for dollars on a spot basis and arrange to buy riyals back in the future on a forward basis. The Government also appears to have decreased its foreign currency deposits at local banks and increased its riyal deposits. All of these moves were presumably aimed at injecting riyal liquidity into the banking system in order to lessen the demand for, and thus the interest rate premium for, riyal deposits relative to dollar deposits.

Even with better returns on riyal deposits as compared to dollar deposits, however, local residents increased their foreign currency deposits in 1998. The foreign currency deposits of businesses and individuals held in local banks rose by 22 percent in 1998, with the biggest jump occurring in September, just after the late August speculative pressure against the riyal.

Oil price hikes since March have lessened pressure on the currency. The Embassy foresees modest inflation of between 1 and 2 percent in 1999 due to the direct and indirect effects of the gasoline price hike and planned higher electricity prices. The Council of Ministers announced in late 1998 that electricity tariffs for higher volume users will rise shortly after the regional electric companies are merged into a nationwide Saudi electric company, which could occur in the coming month. The Saudi economy actually saw mild deflation in 1997 and 1998, as the all-cities cost of living index declined by 0.4 and 0.2 percent respectively, with the retail import price index behaving similarly.

#### The Oil and Gas Sectors

Saudi Arabia is the largest exporter of crude oil in the world, controlling 25 percent of the world's crude oil reserves, with a total of 26 billion barrels of known reserves. The Saudi Government remains committed to stable oil prices and production.

Saudi Aramco, a state owned company, is the largest oil producing company in the world and is also the sixth-largest refiner. At the end of July 1998, Saudi Aramco successfully commissioned the Shaybah oil field with capacity gradually increased to 500,000 b/d by the end of 1998.

The company has also continued gradual upgrading of its oil refineries at Ras Tanura, Riyadh, Jeddah, Rabigh and Yanbu. Production capacities have also been enhanced at Saudi Aramco's gas facilities in Shedgum, Uthmaniya and Berri.

As a result of falling oil prices worldwide, the Saudi Government, whose oil revenues constitute 70-75 percent of the total state income, has restrained spending. The reduced demand for oil and gas in Southeast Asia has partially prompted lower oil prices. During 1998-2000, lower oil prices and diminishing exports are expected to bring oil export earnings 35 percent lower than in 1997.

The March 1999 OPEC production cut--reducing the Saudi daily production quota to 7.438 million barrels--will likely result in an average annual price for Saudi benchmark Arab Light crude of \$12.40 a barrel, oil revenues would still be about 3.5 percent lower than in 1998, when prices averaged around \$11.50 for the year but production was higher.

Saudi Arabia places great hopes on natural gas, both associated and non-associated. The Saudi Government anticipates a growing demand for gas by power and desalination utility companies, especially when existing power stations are converted to natural gas.

In a related and meaningful move, the Crown Prince last September invited foreign oil companies to submit proposals for projects they could undertake in the upstream petroleum and natural gas sectors.

It has become clear since then that the Saudis are primarily interested in natural gas development projects. International oil companies have responded enthusiastically, and have begun to submit initial proposals. As the Saudis respond, the scope and scale of this opening will become clearer.

#### Infrastructure

Saudi Arabia possesses a good network of infrastructure to facilitate the distribution of goods and services. The business centers of Riyadh, Jeddah, and Dammam/Al-Khobar/Dhahran each have an international airport served by a variety of international airlines with passenger and cargo capabilities.

These airports are designed to meet growing traffic in cargo and passengers; although work has already been completed at King Fahd International Airport in the Eastern Province, it is unlikely it will be operational during 1999.

Because of the large distances that separate Saudi Arabia's main cities, air travel is preferred for inter-Kingdom passenger travel with public service restricted to the sole national airline, Saudi Arabian Airlines (Saudia). In 1998, Saudia transported more than 12.6 million passengers on board 82,735 international and domestic flights. Most inter-Kingdom freight is hauled by truck over a relatively good highway system linking the major business centers. There are a total of 175 airports and four heliports.

The network of paved roads expanded from 44,140 kilometers in 1997 to 48,661 kilometers in 1998. A sum of \$1.22 billion has been earmarked for the construction and completion of several road projects covering more than 2,000 kilometers.

During the first ten months of 1998, a total of \$391 million were awarded for the construction of roads Kingdomwide. The Ministry of Transportation is expected to invite private companies to invest in Saudi Arabia's road and highway system. A number of projects for private sector investment include the Riyadh-Qasim-Madina-Yanbu-Jeddah highway and Riyadh-Wadi Al-Dawaser-Rass Abu Khamis highway that links Saudi Arabia to Qatar, Oman and the United Arab Emirates.

One rail link carries passengers and freight between Dammam and Riyadh, and other rail links are expected to be built in the Kingdom's seventh 5-year development plan (2000-2005). The Saudi Arabian Railways Organization (SARGO) plans to spend close to \$4.5 billion over the next five years (2000-2005) to build a major railroad link between the seaports of Jeddah on the Red Sea and Dammam on the Persian Gulf. Other projects include connections to major Saudi military installations, the

industrial city of Jubail, and to connect major future mining sites with seaports.

Saudi Arabia has the largest seaport network in the Near East. The network comprises eight major ports with 183 piers. Jeddah and Dammam are the main international seaports for moving containerized and bulk cargo. Other ports are specially configured for more specialized uses, e.g., Ras Tanura for oil shipping, and Jubail and Yanbu for serving the petrochemical sector and heavy industry.

A new port at Dhiba was inaugurated during 1996 to handle both passengers and cargo, especially from Egypt. Moreover, a terminal for receiving pilgrims was added at the Jeddah Islamic Port.

The volume of cargo handled at these ports reached 78 million tons in 1997, 11 percent higher than in 1996. According to sources at the Seaport Authority, cargo handling in 1998 remained relatively unchanged from 1997.

Modern communications facilities are available including telephone, facsimile, telex, Internet, and courier services. U.S. database log-on is available through a Ministry of Post, Telephone and Telegraph trunk line service, Al-Waseet.

Sources at the Saudi Telecommunications Company (STC) expect that, by the year 2005, there will be 7.5 million lines operational, 6.5 million fixed lines and one million mobile lines. The Government is embarking on a large-scale telecommunications upgrade program, and hopes to resolve the shortage by the end of 2002 by installing an additional 4 million lines and issuing a second cellular license. Contrary to expectations, TEP 8 will be split into components and will not be awarded as one project. We are uncertain of the time frame during which the selection process will materialize. At any rate, we believe that some components of this project will not be awarded before the coming Fall. Specifications and tender documents for the one million GSM lines are being put together. Industry sources anticipate that an official tender will be announced later in either July or August.

There are already 15 Internet service providers Kingdomwide, and a number of agreements were signed between various U.S. Internet service providers and Saudi companies to launch the service. Industry sources believe that there currently are close to 100,000 subscribers Kingdomwide, expected to double to 200,000 by the year 2000.

Use of private satellite communications transponders is not allowed. Facsimile machines are heavily utilized in the conduct of business. A cellular phone system based on the Global System for Mobile (GSM) standard is operational, while radiophones are restricted.

### III. POLITICAL ENVIRONMENT

#### Nature of Political Relationship with the United States

Saudi Arabia's unique role in the Arab and Islamic worlds, its possession of the world's largest reserves of oil, and its strategic location make its friendship important to the United States. Diplomatic relations were established in 1933; the U.S. Embassy opened in Jeddah

in 1944 and moved to Riyadh in 1984. The post in Jeddah became a U.S. Consulate. A U.S. Consulate also opened in Dhahran in 1944.

The United States and Saudi Arabia share common concerns about regional security and stability, oil exports and imports, and sustainable development. Close consultations between the United States and Saudi Arabia have developed on international, economic, and development issues such as the Middle East peace process and shared interests in the Gulf. The continued availability of reliable sources of oil, particularly from Saudi Arabia, remains important to the prosperity of the United States as well as Europe and Japan. Saudi Arabia is often the leading source of imported oil for the United States, providing more than 20 percent of total U.S. crude imports and 10 percent of U.S. consumption. The United States is Saudi Arabia's largest trading partner, and Saudi Arabia is the largest U.S. export market in the Middle East.

Since 1933, the Saudi Arabian Government has relied on the U.S. Government and private organizations for technical expertise and assistance in developing its human and mineral resources. The two countries established a Joint Commission on Economic Cooperation in June 1974. Under Commission auspices, cooperation between the two countries has grown in technical training and education, agriculture, science and technology, transportation, government administration, industrialization, and solar energy research.

In addition to economic ties, a longstanding security relationship continues to be important in U.S.-Saudi relations. A U.S. military training mission established at Dhahran in 1953 provides training and support in the use of weapons and other security-related services to the Saudi armed forces. The United States has sold Saudi Arabia military aircraft (F-15s, AWACS, and UH-60 Blackhawks), air defense weaponry (Patriot and Hawk missiles), armored vehicles (M1A2 Abrams tanks and M-2 Bradley infantry fighting vehicles), and other equipment. The U.S. Army Corps of Engineers has had a long-term role in military and civilian construction activities in the Kingdom.

#### Major Political Issues Affecting Business Climate

The United States and Saudi Arabia share a common concern about regional security and stable development. Military cooperation during the 1991 Gulf War was extensive and remains a hallmark of the U.S.-Saudi bilateral relationship. The Government of Saudi Arabia adheres to the U.N.-imposed sanctions regime against Iraq. While it supports efforts to alleviate the sufferings of the Iraqi people, Saudi Arabia insists that the Iraqi regime must fully implement all U.N. resolutions before sanctions are eased. While an advocate of a comprehensive peace in the Middle East, the Saudi Government has conditioned normalization of its relations with Israel on the resolution of final status issues, such as Jerusalem, and on success in the Syrian-Israeli bilateral peace negotiations.

#### Synopsis of the Political System

The central institution of Saudi Arabian Government is the monarchy. The Basic Law adopted in 1992 declared that Saudi Arabia is a monarchy ruled by the sons and grandsons of King Abd Al Aziz Al Saud, and that

the Holy Qur'an is the constitution of the country, which is governed on the basis of Islamic law (Shari'a). There are no political parties or national elections. The King's powers are limited because he must observe the Shari'a and other Saudi traditions. He also must retain a consensus of the Saudi royal family, religious leaders (ulama), and other important elements in Saudi society. The leading members of the royal family choose the king from among themselves with the subsequent approval of the ulama.

Saudi kings gradually have developed a central government. Since 1953, the Council of Ministers, appointed by and responsible to the king, has advised on the formulation of general policy and directed the activities of the growing bureaucracy. This council consists of a prime minister, the first and second deputy prime ministers, 20 ministers (of whom the minister of defense is also the second deputy prime minister), two ministers of state, and a small number of advisers and heads of major autonomous organizations.

Legislation is by resolution of the Council of Ministers and must be compatible with the Shari'a. Access to high officials (usually at a majlis, or public audience) and the right to petition them directly is a well-established tradition.

The Kingdom is divided into 13 provinces governed by members of the royal family. The King appoints all governors.

In March 1992, King Fahd issued several decrees outlining the basic statutes of government and codifying for the first time procedures concerning the royal succession. The King's political reform program also provided for the establishment of a national Consultative Council, with appointed members having advisory powers to review and give advice on issues of public interest. It also outlined a framework for councils at the provincial or emirate level.

In September 1993, King Fahd issued additional reform decrees, appointing the members of the national Consultative Council and spelling out procedures for the new council's operations. He announced reforms regarding the Council of Ministers, including term limitations of 4 years and regulations to prohibit conflict of interest for ministers and other high-level officials. The members of 13 provincial councils and the councils' operating regulations also were announced in September 1993.

In July 1997, the membership of the Consultative Council was expanded from 60 to 90 members. On June 14, 1999, a new Council was appointed and four new members joined the Council. The role of the Council is gradually expanding as it gains experience.

#### The Legal System

Saudi Arabia's legal system is based on Shari'a law, which is derived from the Qur'an and the traditional sayings (Hadith) of the Prophet Muhammad, and interpreted by the ulama, a body of religious experts. Justice is administered by a system of religious courts whose judges are appointed by the king on the recommendation of the Supreme Judicial Council, composed of 12 senior jurists. Law protects the independence of the judiciary. The King acts as the highest court of appeal and has

the power to pardon. Shari'a courts exercise jurisdiction over common criminal cases and civil suits regarding marriage, divorce, child custody, and inheritance. Cases involving relatively small penalties are tried in summary courts; more serious crimes are adjudicated in general courts. Other civil proceedings, including those involving claims against the government and enforcement of foreign judgments, are held before specialized administrative tribunals, such as the Commission for the Settlement of Labor Disputes and the Board of Grievances.

In order to ensure appropriate legal principles and punishments, the Justice Ministry, the Court of Cassation, or the Supreme Judicial Council reviews judicial appeals. In capital cases, the King acts as the highest court of appeal and has the power to pardon.

Three independent bodies are charged with security duties. The Ministry of Defense and Aviation uses four uniformed services to protect against external military threats. The Saudi Arabian National Guard is responsible for defending vital internal resources (oilfields and refineries), internal security, and supporting the Ministry of Defense and Aviation as required. The Ministry of Interior is charged with internal security, police functions, and border protection. The religious police, members of the Committee for the Promotion of Virtue and the Prevention of Vice, enforce adherence to a strict version of Islamic norms by monitoring public behavior.

#### IV. MARKETING U.S. PRODUCTS AND SERVICES

The pending application of Saudi Arabia to the WTO could have profound implications for the way one does business in the Kingdom. Until accession occurs, the following describes the present state of affairs.

##### Distribution and Sales Channels

There are three major marketing regions in Saudi Arabia: The Western Region, with the commercial center of Jeddah; the Central Region, where the capital city Riyadh is located; and the Eastern Province, where the oil and gas industry is most heavily concentrated. Each has a distinct business community and cultural flavor, and there are few truly "national" companies dominant in more than one region.

Many companies import goods solely for their own use or for direct sale to end-users, making the number and geographical pattern of retail outlets a factor of potential significance. U.S. exporters may find it advantageous to appoint different agents or distributors for each region having significant market potential. Multiple agencies and distributorships may also be appointed to handle diverse product lines or services.

In considering the socio-cultural differences between Saudi Arabia and the United States, in particular, the relative segregation of men and women, it should not be overlooked that the number of Saudi businesses owned and managed by women is significant, and growing rapidly.

According to official statistics, Saudi women own and run about 15,000 companies, about 4.3 percent of registered Saudi businesses. In addition, women account for about ten percent of the Saudi workforce.

That percentage is expected to reach 11.9 percent by the end of the year 2000. The Saudi Government projects that more Saudi women will enter the labor market, and their number will increase to 240,000 based on a recent report published by the Jeddah Chamber of Commerce.

While there is no requirement that distributorships be granted on an exclusive basis, it is clearly the policy of the Saudi Ministry of Commerce that all arrangements be exclusive with respect to either product line or geographic region.

Many Saudi companies handle numerous product lines making it difficult to promote all products effectively. Saudi agents typically expect the foreign supplier to assume many of the market development costs, such as hiring of dedicated sales staff. Foreign suppliers often detail a sales person to the Saudi distributor to provide marketing, training, and technical support. Absent such an arrangement, U.S. firms should expect to make at least four visits per year to support their Saudi distributor.

#### Information on Typical Product Pricing Structures

A rate of exchange of the dollar to the riyal has been set at 3.7450 since 1987, a competitive dollar value compared to the Japanese and European currencies, and reasonable interest rates have greatly facilitated market penetration. Thanks to this, Saudi importers expect U.S. producers to practice a more stable pricing policy than their foreign competitors.

Products are usually imported on a CIF basis, and mark-ups depend almost entirely on what the vendor feels that the market will bear relative to the competition. There is no standard formula to come up with the mark-up rates for all product lines at different levels of the relatively short distribution chain.

Pricing is very important to the average Saudi. Therefore, where there are competitive products, Saudi buyers frequently will compare prices before making a buying decision.

Stability of prices has been a policy of the Saudi Government for years, and after rising to five percent in 1995 as a result of the utility and gas rates hikes, inflation was down 0.4 percent for the 12-month period ending in December 1997. The cost of living index fell by 0.2 percent in 1998 reflecting price stability in the market.

For the U.S. supplier, some give-and-take is expected in preliminary negotiations. The asking price is usually lowered slightly to attract the client.

#### Use of Agents/Distributors; Finding a Partner

The Saudi Government is currently reviewing a new agency law and related regulations with the aim of improving and further promoting commercial exchanges as the Kingdom prepares to join the World Trade Organization (WTO).

U.S. exporters are not required to appoint a local Saudi agent or distributor to sell to Saudi companies, but commercial regulations restrict importing and direct commercial marketing within the Kingdom to Saudi nationals and wholly Saudi-owned companies. Agent/distributor relations are governed by the Commercial Agency Regulations of the Kingdom of Saudi Arabia, administered by the Ministry of Commerce.

Obtaining a business visa for Saudi Arabia requires sponsorship by a Saudi national, and Saudi nationals receive strong preference in sales to Government agencies and parastatal corporations. Consequently, U.S. firms may find it advantageous to establish local representation, especially for product lines requiring strong sales and service efforts.

Foreign contractors wishing to bid for Government contracts must appoint a local service agent, and consultants must be represented by a Saudi consulting agency.

The compensation payable to a local service agent is limited to five percent of the total contract price as per the Service Agency Regulations. However, that percentage is not adhered to at all times.

Terminating an agent/distributor agreement can be difficult even though Saudi policy has changed to permit registration of a new agreement over the objections of the existing distributor. Time is better spent in making the proper initial selection than in attempting to end an unsatisfactory relationship at a later date. The U.S. Commercial Service, through its U.S. District Offices, Export Assistance Centers, and overseas posts, offers a variety of services to assist U.S. firms in selecting a reputable and qualified representative. A complete "Guide to Agency/Distributor Regulations in Saudi Arabia" is available through the National Trade Data Bank in CD-ROM format (Tel: (202) 482-1986 for details).

### Franchising

Franchising is a popular and growing approach for local firms to establish additional consumer-oriented business in Saudi Arabia. Although the franchise market is small relative to that in the United States, it is rapidly expanding in several business sectors.

Franchising opportunities exist in the following business categories: apparel, laundry and dry cleaning services, automotive parts and servicing, mail and package services, printing, and convenience stores.

Success in franchising in the Saudi market is often attributed to finding the appropriate franchisor and location. Non-food franchises account for 55 percent to 65 percent of the franchise market.

Franchising remains a growing sector in Saudi Arabia. This is in part due to a desire among Saudis to own their own business, and an appreciation for Western methods of conducting business. Competition is particularly fierce between U.S. franchisors and local and third country competitors in the following sectors: car rental agencies, laundry and dry cleaning services, and auto maintenance. Moreover,



some local fast food outlets are already making inroads, being more successful and more accommodating to the Saudi tastes.

#### Direct Marketing

Direct marketing is not widely used in Saudi Arabia. Personal relations between vendors and customers play a more important role than in the West; furthermore, many forms of direct marketing practiced in the United States are unacceptable due to Islamic precepts regarding gender segregation and privacy in the home. Limitations in the Saudi postal system are also a constraint: no home delivery or postal insurance is available yet; however, as part of the privatization of the Post, Telecommunications, and Telegraph Ministry, it is highly likely that mail and parcel home deliveries could begin by the end of 1999.

Direct marketing has been conducted on a very limited basis using unsolicited mail campaigns and fax, catalog sales (with local pick-up or delivery arranged), and commercials on satellite television providing consumers in many nations (including Saudi Arabia) with a local telephone number to arrange delivery.

The advent of the Internet in the Saudi market will increasingly have a profound effect on Saudi shopping behavior, providing increased possibilities and accessibility for Saudi consumers.

#### Joint Venture/Licensing

The Saudi Government is currently reviewing the foreign investment code to encourage more Saudi-foreign joint ventures in Saudi Arabia. Foreign investment is generally welcomed in Saudi Arabia if it promotes economic development, transfers foreign expertise to the Kingdom, involves Saudis in ownership and management, creates jobs for Saudis, and expands Saudi exports.

Foreign investment is regulated under the Foreign Capital Investment Law administered by the Ministry of Industry and Electricity (MIE), which must approve all investments except banks, which are licensed by the Ministry of Finance and National Economy. The Ministry of Petroleum and Mineral Resources handles investments involving mineral extraction.

Foreign investment is normally limited to joint ventures in which the Saudi partner holds at least 25 percent up to a majority share. There are no restrictions on the use of currency accounts or on the entry or repatriation of capital, profits, dividends, or salaries, provided tax requirements have been satisfied and clearance provided by the Department of Zakat and Income Tax.

Foreign ownership is not permitted in a few sensitive areas or in well-developed sectors where it is believed sufficient local investment and expertise already exist.

A variety of incentives may be available to foreign investors upon approval of the Ministry of Industry and Electricity (MIE). These include tax holidays for five years (ten years for industrial and agricultural projects), duty free importation of capital equipment, spare parts and raw materials for the duration of the project, and access to low cost financing, industrial land, and utilities.

Local products receive price preferences of 10-20 percent in Government tenders. Most incentives are only available to joint ventures with at least 25 percent Saudi ownership.

Licensing is an appropriate method of doing business in the Kingdom under some circumstances, but the tax implications should be considered. Royalties, license fees, and certain management fees are deemed to be 100 percent profit, and the full amount will be taxed at the normal corporate tax rate for non-Saudi companies.

The process for establishing a joint venture is as follows:

First, the Ministry of Industry and Electricity (MIE) and its constituent parts must review and process all applications for industrial projects. Within the MIE, the Industrial Licensing Department (ILD) and Foreign Capital Investment Bureau (FCIB) are responsible for evaluating and licensing industrial projects. Non-industrial projects are handled unilaterally by the FCIB.

The MIE's Industrial Protection and Encouragement Department (IPED) studies the project's potential impact on domestic industry and determines any tariff protection that may apply. The MIE's Industrial Cities Department (ICD) evaluates requests for sites in Saudi Arabia's industrial cities.

In addition, an application must be made to the Foreign Capital Investment Committee (FCIC) for a foreign investment license. The FCIC is an inter-ministerial committee that receives recommendations forwarded by the MIE/FCIB, and after study makes its recommendation for final approval to the MIE. Following the issuance of the investment license, an application for commercial registration is made to the Ministry of Commerce (MOC).

In this process, the MOC will approve the joint venture's Articles of Association, register the company under the MOC's Companies Regulations, and assign a commercial registration number. Depending on the nature of the foreign investment, the Saudi Arabian Standards Organization (SASO) may be involved. SASO is the Saudi authority for establishing product standards for imports and locally-manufactured goods, and will examine products or processes to be used to ensure they meet existing or planned Saudi standards.

The Saudi Industrial Development Fund (SIDF) may be engaged to provide up to 50 percent financing for approved industrial joint venture projects. Market intelligence also is available through the SIDF for prospective investors.

Other Saudi Arabian Government entities that may be involved in the process include the Ministry of Foreign Affairs (visas), the Ministry of Interior (residence permits and industrial safety and security

approvals), the Ministry of Labor and Social Affairs (work permits for foreigners), the Royal Commission for Jubail and Yanbu (if the project is sited at the Saudi industrial cities of Jubail or Yanbu), the General Organization for Social Insurance (social insurance and disability payments for Saudi employees), and the General Organization for Technical Education and Vocational Training (training programs for Saudis).

Foreign investors may structure their enterprise as a limited liability company (the most commonly used approach), as a joint-stock company, or as a joint venture. By law, limited liability companies must not have less than two nor more than fifty shareholders and must be capitalized with at least SR. 500,000 (\$133,333). Limited liability companies are forbidden to deal in insurance or financial enterprise. Joint stock companies are a variety of the limited liability company that can be held either privately or publicly. They resemble U.S. corporations in structure and function.

Joint ventures are unincorporated associations in which each party to the venture holds title to his mutually agreed contribution. They resemble general partnerships. The Ministry of Commerce approves formation of all joint ventures.

Applications must include the venture's objectives, rights and liabilities, as well as the manner in which profits are to be divided. A detailed "Guide to Establishing Joint Ventures in Saudi Arabia" is available in CD-ROM format on the National Trade Data Bank. A few major U.S. accounting firms with Saudi offices also publish very useful guides to the tax and legal aspects of doing business in Saudi Arabia.

#### Steps to Establishing an Office

The procedures to follow in establishing an office in Saudi Arabia differ according to the type of business undertaken. The most common and direct method of establishing an office is simply to appoint an agent/distributor, who can set up the office under their own commercial registry and obtain residency visas for any necessary expatriate personnel. The agent/distributor agreement should be registered with the Ministry of Commerce as previously described.

A second method might be to establish a technical and scientific service office, which requires a license from the Ministry of Commerce. This approach preserves the independence and identity of the foreign company's local office as a separate entity from the Saudi agent/distributor.

Technical and scientific service offices are not allowed to engage directly or indirectly in commercial activities, but they may provide technical support to the Saudi distributor as well as conduct market surveys and product research.

A third method is to establish a branch office, which is normally permitted only for foreign defense contractors. The establishment of branch offices is open to wholly foreign-owned entities, and requires approval of the Ministry of Industry and Electricity's Foreign Capital Investment Committee (FCIC).

An essential element in the FCIC's approval process is that the branch office contributes to the Kingdom's economic development. FCIC approval also requires the foreign company submit a certified copy of its charter and bylaws, accompanied by an Arabic translation, as well as the company name, address, date of establishment, type of business and amount of capital. The company's board of directors must also provide a resolution authorizing the establishment of a Saudi branch office.

Following FCIC approval, the branch office must establish and register with the Commercial Register of the Ministry of Commerce. The registration process requires representation by a Saudi attorney.

A fourth method is to establish a representative (or liaison) office. This is normally granted only for companies that have multiple contracts with the Government and require a local office to oversee contract implementation. Representative offices are not allowed to engage in direct or indirect commercial activity in the Kingdom. Establishment requires a representative office license from the Ministry of Commerce.

Finally, foreign companies may establish an office by entering into a joint venture with a Saudi firm, as described in the previous section.

Costs associated with setting up an office in Saudi Arabia can vary considerably. As a general guide, the following are current costs of housing and office rental, as well as costs for employee salaries, taxes, and transportation. Most of these costs have remained relatively unchanged from the previous year. Typical rent per year for a one-bedroom furnished apartment is \$13,200, and \$16,134 for a two-bedroom apartment.

A one-bedroom furnished villa in a Western-standard residential compound will rent per year for \$22,000 to \$23,650; two bedrooms, \$27,866 to \$29,333; three bedrooms, \$33,733 to \$36,666; four bedrooms, \$42,533 to \$54,266. Residential compounds in Saudi Arabia often include a swimming pool, tennis courts, a club house, and eating facilities.

Typical management, maintenance, and use charges are usually included in the rental price, and security deposits are in the range of \$2,970. Rental terms are for one year payable in advance. Office rental costs are variable, and are governed largely by the city and business location.

Typical rental costs in a modern commercial center are approximately \$220 per square meter, inclusive of maintenance and utility charges. A 12-month rental is the minimum and advance payment is required.

Saudi law requires that Saudi nationals make up 75 percent of a company's work force and 51 percent of its payroll in all businesses. However, due to a shortage of qualified Saudis, in practice much of the work force is made up of non-Saudi Arabs, Europeans, Americans and Asians. In 1996, the Saudi Government implemented a regulation requiring each company employing over 20 workers to include a minimum

of five percent Saudi nationals. Companies not complying with the five percent rule (which will increase in annual increments of five percent) will not be given visas for expatriate workers.

An employee's nationality and level of experience, as well as the nature and location of the business will create variations in pay, but a typical manager's yearly salary (base) is approximately \$30,000 to 40,000. Mid-level office workers are paid approximately \$20,000 to 30,000 per year. A clerical worker's base yearly salary is in the range of \$8,000 to 10,000. A support worker (driver, caretaker) earns in the range of \$6,000 to 7,000 yearly. Saudi Arabia's six million expatriates include 4.7 million laborers employed in various sectors, who annually transfer close to \$16 billion.

Local Saudi employee taxes are 15 percent of base or combined with benefits. From base salary and housing, companies withhold five percent and pay 10 percent.

It is customary to provide non-Saudi workers with furnished accommodations or a housing allowance as well as round-trip air fare to their country of origin on a yearly basis.

Regarding transportation, four-door sedans rent monthly for approximately \$960, and yearly for about \$11,500. A new GMC Suburban can be purchased for approximately \$30,373. It is important to note that, law forbids females in Saudi Arabia, regardless of nationality, to drive motor vehicles.

Additional monies, along the lines mentioned above, should be included in an office budget to provide sufficient cars and drivers for transportation of female family members and staff.

Business travelers coming to Saudi Arabia to explore business opportunities are eligible for a visitor's visa, which currently is a single-entry visa for up to three months' duration. However, there is hope that the Saudi Government will very soon agree to two-year, multiple-entry visas for U.S. citizens.

Currently, the visitor's visa application requires the U.S. company's representative to submit to Saudi visa authorities a letter of invitation issued by a Saudi company that has agreed to serve as his sponsor. The letter, which must be in Arabic, must be on the Saudi company's letterhead, in the original, and must bear an authenticating stamp from the Saudi company's local chamber of commerce.

The U.S. company's representative must apply for the visa prior to departing the United States at either the Saudi Embassy in Washington, D.C., or at one of the Saudi Consulates in Houston, Los Angeles or New York City. Saudi visa authorities strictly enforce these requirements. The Saudi Government announced in late May of 1999 a new and simplified procedure for the issuance of entry visas to foreign businessmen, but full details have not been published.

Selling Factors/Techniques

Expatriate managers have had a strong influence in introducing advanced selling techniques into a market that relied heavily on word-of-mouth and established buying patterns until a few years ago. Advertising and public relations firms are multiplying in Saudi Arabia, and the Saudis themselves have become a discerning, sophisticated clientele.

Although details of a transaction can be handled by facsimile, now in widespread use, no serious commitment is likely to be made without a face-to-face introduction. Business cards are usually printed in English on one side and Arabic on the other.

Saudis are gracious hosts and will try to put a visitor at ease, even during arduous business dealings. A large portion of upper and middle class Saudis were educated in the United States or in Europe.

The positive aspect of the Saudis' familiarity with the United States is that most importers are very receptive to American products because of the U.S. reputation for state-of-the-art technology, durability, and stable prices.

Of course, this goodwill can be used only as an introduction, since a product must be competitively priced and readily available to make a sale.

Financing may also be offered as part of a sales proposal, usually after a solid relationship has been established. Financing is increasingly becoming an important facet of business dealings with Saudi Government agencies. Likewise, the Government has begun to experiment with Build-Operate-Transfer (BOT) financing schemes.

Foreigners need to find a Saudi partner before they are allowed to engage in trade within the Kingdom, but direct sales can be made to Saudi private clients without having to use a local agency. Saudi Ministries will purchase only from local agents or distributors, and contracts for major projects are usually awarded to joint ventures linking foreign and Saudi partners.

An irrevocable letter of credit (L/C) is the instrument normally used for Saudi imports; open account, cash in advance and documentary collection are also acceptable if both parties agree. Maximum or minimum credit terms are not required. Export Credit Insurance for political and commercial risk is available from the Foreign Credit Insurance Association (F.C.I.A) of the U.S. Export-Import Bank in Washington, D.C. (Tel: 202-566-8990 or 212-306-5084).

The Government maintains a free trade approach to exchange transactions: no exchange restrictions apply; exchange for payments abroad is obtained freely; and there are no taxes or subsidies on foreign currency transactions.

With the advent of the Internet, industry sources expect that such access will boost regional and international business. For that matter, the Ministry of Commerce is forming a team to establish regulations regarding electronic commerce that is expected to expand.

Since 1981, the Saudi Arabian Monetary Agency (SAMA) has pegged the riyal to the dollar, to facilitate long term planning and minimize exchange risk for the private sector. The rate has remained stable at \$1 = SR 3.7450 since 1987.

#### Advertising and Trade Promotion

Advertising, once a relatively secondary aspect of sales, has come into its own, especially with the recent lifting of a ban on televised commercials. Most companies' advertising budgets now cover the complete array of media, such as TV, newspapers, trade magazines and billboards, in addition to trade promotion events. Saudis receive preferential rates.

Bright colors such as red, blue, green and black dominate ads. Pink, cream and other soft colors are not as popular. With some modest exceptions, the female human form is not culturally or religiously acceptable in the media. Landscapes and other non-human images are commonly featured. Ads, packages, literature, etc. are frequently in English and Arabic.

A recent study by a local research firm indicated that advertising expenditures in the Gulf Cooperation Council (GCC) countries are expected to rise 12 percent from \$817 million in 1998 to \$913 million in 1999.

Advertising is critical in gaining retail sales and market share. Most companies' advertising budgets now cover the complete array of media, including: television, newspapers, magazines, billboards, and trade promotion events. Some televised commercials are broadcast on the two Saudi channels (Secam color system) during limited periods of the day. One TV channel is in Arabic; the second is in English, with broadcasting covering the entire Kingdom.

Cost of a time slot varies considerably, depending on timing, and is usually less costly for Saudis than foreign firms. Contents are thoroughly screened to conform with strict moral and religious standards.

A new approach to presenting products is advertising through international TV channels such as CNN and MBC (Middle East Broadcasting Corporation in London). In 1997, two new satellite channels broadcasting from Beirut, Lebanon, went on the air, the Lebanese Broadcasting Company (LBC) and Future Television. Many analysts rate the two channels as the most popular pan-Arab stations, and most major Saudi companies place commercials on these two channels as well as on the MBC channel.

Arab satellite TV stations are expected to have an increasing share of advertising spending which is projected to reach \$439 million in 1999, a 22 percent rise over 1998.

In addition, two encrypted TV networks each provide approximately 30 channels for an average subscription of \$1000 per year. The networks include Orbit Communications and ShowTime. Other Arabic satellite channels that have been launched, such as Arab Radio and Television,

are also attracting numerous advertisers. These TV channels have succeeded in introducing several new products to the market.

There are no signs that the cable television network will be launched in the foreseeable future. The first of its kind in the Kingdom, SARA Cable is an offshoot of a large, Riyadh-based, media and production company, ARA International. Print advertising is also important. In recent years, several magazines have appeared on the local market. Popular magazines are: Al-Wasat, Al-Majallah, Al-Yamamah, and Sayidati. Advertising rates for publications vary greatly; however their level is well below the U.S. norm, in keeping with the reduced readership.

Newspaper advertising is carried out in both the local English and Arabic press, but its effectiveness is somewhat limited by the relatively low readership rates. The three local dailies published in English have circulation in the 20,000 to 50,000 copies range: Arab News (London); Saudi Gazette (Jeddah); Riyadh Daily (Riyadh). The leading Arabic newspapers, with nationwide distribution, have circulation in the 70,000 to 100,000 range: Al-Hayat, Al-Shark Al-Awsat, Okaz. Other relevant newspapers have lower circulation, and some have only regional distribution: Al Bilad, Al Jazira, Al Madina, Al Nadwa, Al Riyadh, Al Youm, Um Al Qura, Al-Riyadiya (sports only). Another economic daily, Al Iqtisadiyah, has rapidly earned a loyal readership of executives and Government officials.

Numerous trade promotion events take place from September through June, with most of them held in the modern exhibit centers in the Kingdom's three major cities:

Riyadh Exhibitions Co., Ltd.  
PO Box 56101  
Riyadh 11554, Saudi Arabia  
Tel: (01) 454-1448, Fax: (01) 454-4846  
Tlx: 406359 EXHB SJ  
Contact: Akram Al-Masri, Director of Exhibition Services

Al-Harithy Co. for Exhibitions, Ltd.  
PO Box 40740  
Jeddah 21511, Saudi Arabia  
Tel: (02) 654-6384, Fax: (02) 654-6853  
Tlx: 602784 EXPO SJ  
Contact: Saeed Haider, General Manager

Dhahran International Exhibition  
PO Box 7519  
Dammam 31472, Saudi Arabia  
Tel: (03) 857-9111, Fax: (03) 857-2285  
Contact: Najeeb Abdul Rahman Al-Zamil, General Manager

Each exhibit center organizes five to ten events a year, and even though the programs have varied over time, the recurrent themes cover most industries of interest for U.S. exporters: agriculture, automotive, computers, medical and lab equipment, construction, production technology, electrical and A/C-heating, and communications. Smaller exhibit facilities are also located in regional centers, and often operate in cooperation with or under the sponsorship of the local chamber of commerce.



Most chambers have a proactive approach to promotion and trade, organize shows and presentations for individual companies or groups, and have been eager to attract American and other Western suppliers. The main Chambers are:

Council of Saudi Chambers of Commerce and Industry  
PO Box 16683  
Riyadh 11474, Saudi Arabia  
Tel: (01) 405-3200, Fax: (01) 402-4747

Riyadh Chamber of Commerce and Industry  
PO Box 596  
Riyadh 11421, Saudi Arabia  
Tel: (01) 404-0044, Fax: (01) 402-1103

Jeddah Chamber of Commerce and Industry  
PO Box 1264  
Jeddah 21431, Saudi Arabia  
Tel: (02) 651-5111, Fax: (02) 651-7373

Dammam Chamber of Commerce and Industry  
PO Box 719  
Dammam 31421, Saudi Arabia  
Tel: (03) 857-1111, Fax: (03) 857-0607

Makkah Chamber of Commerce and Industry  
PO Box 1086  
Makkah, Saudi Arabia  
Tel: (02) 534-3838, Fax: (02) 534-2904

Medina Chamber of Commerce and Industry  
PO Box 443  
Medina, Saudi Arabia  
Tel: (04) 822-5380, Fax: (04) 826-8965

Taif Chamber of Commerce and Industry  
PO Box 1005  
Taif, Saudi Arabia  
Tel: (02) 736-6800, Fax: (02) 738-0040

NOTE: Add country code 966 if dialing from the United States or other locations outside Saudi Arabia, and drop the zero before the first digit of the telephone or fax numbers above, which are the city codes.

#### Product Pricing

A rate of exchange of the dollar to the riyal has been set at 3.7450 since 1987, a competitive dollar value compared to the Japanese and European currencies, and reasonable interest rates have greatly facilitated market penetration. Thanks to this, Saudi importers expect U.S. producers to practice a more stable pricing policy than their foreign competitors.

Products are usually imported on a CIF basis, and mark-ups depend almost entirely on what the vendor feels that the market will bear

relative to the competition. There is no standard formula to determine the mark-up rates for all product lines at different levels of the relatively short distribution chain. Pricing is very important to the average Saudi.

Therefore, where there are competitive products, Saudi buyers frequently will compare prices before making a buying decision. Stability of prices has been a policy of the Saudi Government for years, and after rising to five percent in 1995 as a result of the utility and gas rates hikes, inflation was negative 0.2 percent for the 12-month period ending December 1998. The Embassy forecasts a 1 to 2 percent rise in prices during 1999, based on the latest hike in gasoline prices and depending on when the consolidation of the electric company takes place, with a resulting jump in costs for high volume users. For the U.S. supplier, some give-and-take is expected in preliminary negotiations. The asking price is usually lowered a bit, to entice the client and to bow to the old-fashioned Saudi penchant for bargaining and personal exchange.

Financing has become a leading consideration in purchasing, especially for investment goods and repeat orders. As leveraged transactions become the norm, Saudis have come to understand that an attractive financial package can be even more interesting than an up-front low price.

The support and services provided by the U.S. Export-Import Bank attract the Saudis' keen interest, and are being considered for several major projects.

#### Sales Service/Customer Support

Saudi Arabia is a relatively open market, which makes it highly competitive. Brand loyalty and established preferences are less developed than in other countries. Consequently, above average sales service and customer support are indispensable to win and maintain new clients.

As the Saudi market matures, this will become more and more the norm, and the recent economic slowdown is adding to the competitive pressure; the sell-and-forget techniques still common in the 1980s are definitely out.

Saudis view a foreign firm's physical presence in the Kingdom as a tangible sign of a long-term commitment.

Prompt delivery of goods from available stock and the presence of qualified support technicians have become more important, and they influence repeat business much more now than ten or even five years ago. Government agencies usually require equipment suppliers to commit to providing maintenance and spare parts for an average period of three years.

#### Selling to the Government

Government spending accounted for approximately 38 percent of GDP in 1998, but was expected to drop to 30 percent in 1999 and to remain as

such in 2000. A sign that the Saudi private sector is again assuming an increasingly major role in the Kingdom's economic performance.

U.S. firms considering sales to the Government should request a briefing from the Embassy concerning the latest situation on payments and how U.S. firms can protect themselves.

As a practical matter, U.S. companies seeking sales of goods and services to the Saudi Government should appoint a reputable agent or distributor with experience in the field. Foreign contractors operating solely for the Government, if not already registered to do business in Saudi Arabia, are required to obtain temporary registration from the Ministry of Commerce within 30 days of contract signing and to select a Saudi national as an officially registered agent (weapons sales are exempt from this agency requirement). Compensation for agents is limited to a maximum of 5 percent of contract value; however, the rate may vary depending on the agreement.

Foreign companies also may be allowed to establish a branch office by obtaining a foreign capital investment license from the Ministry of Industry and Electricity.

Branch offices are usually approved only for foreign defense contractors. For others, a liaison office may be established to supervise work in the Kingdom and to facilitate coordination between the Government and home offices.

This requires approval of the Ministry of Commerce. Liaison offices are prohibited from conducting commercial business in Saudi Arabia.

Foreign contractors involved in public works projects are required to subcontract at least 30 percent of the contract value to 100 percent Saudi-owned companies. This requirement also applies to limited liability partnerships with less than 51 percent Saudi ownership.

The subcontractor must be qualified to perform the work and may not further subcontract any portion of it. Purchases of Saudi products and services and of imported products from Saudi distributors may count toward the 30 percent requirement.

#### Protecting Your Product from IPR Infringement

Saudi Arabia has a patent office, but has only issued a few patents, and has an enormous backlog of patents pending. Saudi Arabia has made important strides in improving intellectual property rights (IPR) protection, including a series of well-publicized raids on stores selling pirated material and the release of a fatwa by the late Grand Mufti of Saudi Arabia confirming that piracy is theft, and therefore forbidden under Islamic law. However, piracy remains a problem in Saudi Arabia and the Kingdom remains on the U.S. Trade Representative's "Watch List" of countries that need to improve IPR protection.

U.S. firms that wish to sell products in Saudi Arabia should work through their local representative to register their trademarks with the Ministry of Commerce and copyrighted products with the Ministry of Information, which are responsible for IPR protection in these areas,

and report any suspected incidents of piracy or infringement to the Ministry.

During the first six months of 1999, the Ministry of Information imposed fines worth \$347,000 on violators of copyright laws. During that period, the Ministry also destroyed 125,000 counterfeit computer programs and videos and about 44,000 audio cassettes.

Despite the backlog of patent applications, the Embassy recommends that if a U.S. company is concerned about the possibility of patent infringement, it should "file" a patent application request with the Saudi Patent Office.

To learn more about the procedure, we recommend interested companies consult a local attorney who specializes in this area. The Embassy can provide a representative list of qualified attorneys.

#### Need for a Local Attorney

Saudi law is based on the Islamic Shari'a and differs considerably from U.S. practice. U.S. firms contemplating a joint venture, licensing, or distribution agreement are advised to consult with a local attorney. The American Embassy and Consulates can provide a list of attorneys.

#### Performing Due Diligence/Checking Bona Fides of Banks/Agents/Customers

In 1995, the Commercial Service in Saudi Arabia ceased to offer regular International Company Profile (ICP) reports. Nonetheless, CS Saudi Arabia will provide bona fides checks in support of a U.S. company's due diligence process, if requested.

Dun and Bradstreet's local agent, Amer Research Company, can produce complete background and credit reports. The company can be reached at: (966 1) 406-5050 ext. 4118, Fax: (966 1) 403-7491, Attention: Mr. Salah Ibrahim. E-mail:mikebaulch@zajil.net.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENTS (US\$ millions, unless otherwise noted)

#### Best Prospects for Non-Agricultural Goods and Services

##### 1- TELECOMMUNICATIONS EQUIPMENT (TEL)

The Saudi telecommunications market will continue to grow. The Saudi Telecommunications Company (STC) is evaluating plans for further modernization and expansion of Saudi Arabia's telecommunications network. A cellular network is already functional and is also being extended. Internet service will also provide additional market opportunities for U.S. firms supplying telecommunications and computer equipment and parts. The prospects for Saudi Arabia are encouraging and sustained growth in the demand for telecommunications products up to the year 2005 is likely. Sources at STC expect that, by 2005, there will be 7.5 million lines operational, 6.5 million fixed lines and 1 million mobile lines.

Contrary to expectations, TEP 8 will be split into components and will not be awarded as one project. We are uncertain of the time frame

during which the selection process will materialize. At any rate, we believe that some components of this project will not be awarded before the coming fall. Specifications and tender documents for the one million GSM lines are being put together. Industry sources anticipate that an official tender will be announced later in either July or August.

	1999(E)	1997(E)	1998(E)	
a.	Total Market Size	96	108	118
b.	Total Local Production	0	3	5
c.	Total Exports	0	0	0
d.	Total Imports	96	105	113
e.	Imports from The U.S.	80	89	96

(Note: The above statistics are unofficial estimates)

## 2- ELECTRICAL POWER SYSTEMS (ELP)

Demand for electrical power is increasing at an average annual rate of 11-12 percent. The Ministry of Industry and Electricity has already approved more than \$2.9 billion for various electricity projects up to the year 2000. Overall power generation capacity rose from 4,000 MW in 1977 to 22,311 MW in 1997. A number of power projects are under way, including the construction of a 1200 MW power plant in Riyadh (PP9), and a 2400 MW plant in Ghazlan, while a decision on the Shuaiba plant in the Western region is expected soon. An additional six new major projects are expected to be awarded in the next two years, for a total capacity of 4480 MW.

Other expansion projects are also under way including the Shoaiba expansion for an additional 1800 MW capacity, and the Shuqaiq expansion with an additional capacity of 1200 MW. It is projected that the Saudi Government will be spending about \$120 billion over the next 20 years in this sector.

	1999(E)	1997(E)	1998(E)	
a.	Total Market Size	1082	1104	1124
b.	Total Local Production	99	104	109
c.	Total Exports	11	12	13
d.	Total Imports	994	1012	1028
e.	Imports from the U.S.	270	275	280

(Note: The above statistics are unofficial estimates)

## 3- WATER DESALINATION EQUIPMENT (WRE)

Saudi Arabia's arid climate, combined with its high population growth, rapid urbanization, industrialization and agricultural development, forces the Saudi Arabian Government to rely on desalination to meet the growing demands for water. Since these conditions will persist for the foreseeable future, Saudi Arabia will depend on desalination for

generations to come. This situation has created many business opportunities, especially for new technologies that can reduce the cost of producing fresh water, either in building new plants or updating existing ones.

Saudi Arabia is the largest desalinated water producer in the world with 25 desalination plants, built at a total cost of \$13.5 billion in 15 major sites along the Persian Gulf and the Red Sea coasts. Currently, the plants produce 726 million cubic meters (192 billion gallons) of water annually, representing 70 percent of the kingdom's water needs and 30 percent of the world's desalinated water capacity. Nine of these desalination plants are dual system plants that also generate 3,214 megawatts of electricity per day and represent 33 percent of the Kingdom's capacity. Four dual desalination and power projects are being constructed at a cost of \$4 billion. When the plants are completed in 2000, Saudi Arabia's water production capacity will reach 800 million cubic meters with an additional power generation capacity of 4,500 megawatts. Multi-flash stage and reverse osmosis systems are the most commonly used systems for desalination in Saudi Arabia.

The Saudi Water Conversion Corporation (SWCC) is the only Government agency responsible for design, construction, operation and maintenance of desalination plants. There are other plants that fall under the jurisdiction of the Ministry of Defense and Aviation and the Royal Commission for Jubail and Yanbu. Recently, the Government allowed private entities to establish desalination plants and the first one was built along the Red Sea.

	1997(E)	1998(E)	1999(E)
a. Total Market Size	340	357	375
b. Total Local Production	67	70	73
c. Total Exports	16	17	17
d. Total Imports	289	304	319
e. Total Imports from U.S.	116	121	127

(Note: The above statistics are unofficial estimates.)

#### 4- COMPUTER SOFTWARE (CSF)

Saudi computer software vendors estimated the software market at \$400 million in 1997 with 10 percent growth over the next three years. The Saudi Government commitment to enforce regulations aimed at curbing illegal reproduction of computer software and other IPR products will enhance demand for original software.

Moreover, the Business Software Alliance (BSA) established a local office to support and train Ministry of Information personnel on the latest techniques for detection of software piracy. The advent of Internet service in Saudi Arabia will significantly lead to a rapid growth for PCs and consequently for associated software and related services. Finally, the Y2K problem will also boost the demand for computer systems and software to resolve that issue.

Adequate and efficient network solutions are becoming a most important and intriguing aspect among the Saudi information system and business communities. Smaller businesses are experiencing the advantages of acquiring and installing efficient client/server configurations to help them increase work productivity and cut communications costs.

	1997(E)	1998(E)	1999(E)
a. Total Market Size	400	440	485
b. Total Local Production	19	21	23
c. Total Exports	0	0	0
d. Total Imports	381	419	462
e. Imports from the U.S.	268	295	346

(Note: The above statistics are unofficial estimates.)

#### 5- AUTO PARTS AND SERVICE EQUIPMENT (APS)

Saudi Arabia has one of the world's highest per capita spending rates on vehicles. It is the largest and most sophisticated car market in the Near East. With the projected downturn in the economy, the Commercial Service expects that new car sales will slump. Consequently, car age will increase from five to almost ten years during the next few years. With this increase in automobile life, the market for aftermarket parts is expected to expand. Purchases of new cars are expected to show increases in small and mid-sized cars as the price of gas was recently increased by 50 percent. This increase will cut into the average Saudi's disposable income, resulting in the purchase of smaller vehicles.

Imports will likely reach \$580 million in 1998, excluding tires and tubes. The future composition of Saudi Arabia's car market will, to a large extent, dictate the mix of the auto parts industry. As more car makes and models are introduced, the Saudi spare parts market will expand accordingly. The market is already very competitive, and becoming increasingly so with a growing demand for original and quality spare parts as opposed to counterfeit. Moreover, local and international auto parts suppliers are aggressively campaigning against fake and counterfeit automotive parts.

	1997(E)	1998(E)	1999(E)
a. Total Market Size	579	613	650
b. Total Local Production	85	87	89
c. Total Exports	51	54	54
d. Total Imports	545	580	615
e. Imports from the U.S.	145	155	165

(Note: The above statistics are unofficial estimates.)

#### 6- COMPUTERS AND PERIPHERALS (CPT)

The Saudi market for computers and peripherals remains the largest in the Near East. The Kingdom's computer market was estimated at \$240

million in 1997 and expected to grow seven to eight percent annually over the next two years. According to industry sources, declining prices of PCs worldwide will have a major role in higher volume sales of home PCs in the Saudi market. The advent of the sub-\$1000 PC is a driving factor. Internet service will also fuel demand for PCs in Saudi homes and small businesses alike.

IBM-compatible personal computers represent 40 percent of installed units, but only approximately 20 percent of total import value. There are more than 30 brands of PCs available in the Saudi market including: IBM, Zeos, HP, Digital, AST, Acer, Mitac, Siemens Nixdorf, Gateway 2000, Compaq, Dell, Apple, Twinhead, Leo, among others.

Vendors are fighting for better positions in various niches by offering more technologically advanced computers with added features. Several third-country manufacturers, especially from Southeast Asia, are fiercely competing with American firms, while many American manufacturers have set up manufacturing facilities in Southeast Asian countries. There are more than 300 local computer dealers selling various computer brands throughout Saudi Arabia.

Saudi Aramco, the Kingdom's oil company, is considered to be the largest buyer and user of computers in the whole Arabian Gulf region. The company operates more than 10,000 computer units and spends over \$3 million a year on new systems and system upgrades annually. Saudi Arabian Airlines, the national carrier, is another major buyer of computers.

In the private sector, banks are considered to be the largest end-users. There are 11 banks with a total of 1200 branches operating throughout the Kingdom. In addition to demand by banking and financial institutions, several other industry sectors are eager to modernize their computer/communication systems. One of them includes the hotel industry, which is trying to upgrade customer services by automating room service, quick check-out systems, payroll and reservation services.

	1997(E)	1998(E)	1999(E)
a. Total Market Size	240	257	275
b. Total Local Production	0	0	0
c. Total Exports	0	0	0
d. Total Imports	240	257	275
e. Imports from the U.S.	82	87	96

(Note: The above statistics are unofficial estimates.)

#### 7- MEDICAL EQUIPMENT (MED)

Saudi Arabia is the largest market for medical equipment and supplies in the Near East. The Ministry of Health directs approximately 70 percent of all healthcare services and is responsible for close to 60 percent of the market for medical equipment and supplies. Industry sources estimated the market at \$265 million in 1998 and expected it to reach a three-year high of \$280 million in 1999, an increase of more than five percent over 1998. U.S. suppliers account for more than half of all Saudi medical imports, and the U.S. share is expected to grow at an average annual rate of five percent.



The growing demand is linked to a rising number of private hospitals and clinics, expansions and upgrades at various medical facilities, and the constant need for advanced equipment.

There are currently 285 hospitals, both general and specialized, with a total capacity of 41,916 beds in Saudi Arabia. Of these hospitals, 175 are run by the Saudi Ministry of Health, 36 are run by other Government agencies, and 74 are owned by the private sector. In addition, approximately 1,800 primary health care centers and polyclinics are scattered Kingdomwide. The Ministry of Health continues to convert these polyclinics into 30-50 bed general hospitals to gradually replace existing mobile clinics. Approximately 45 percent of the hospitals are located in the Western Region, while 35 and 20 percent are found in the Central and Eastern Regions, respectively.

	1997(E)	1998(E)	1999(E)
a. Total Market Size	251	265	280
b. Total Local Production	17	18	18
c. Total Exports	0	0	0
d. Total Imports	234	247	262
e. Total Imports from U.S.	140	144	154

(Note: The above statistics are unofficial estimates.)

#### 8- EDUCATION AND TRAINING SERVICES (EDS)

Manpower training requirements are expanding rapidly in Saudi Arabia. The Saudi Government is exerting greater emphasis on the Saudiization program that is being implemented. The Government plans to replace 60 percent of the estimated 4.7 million foreign workers with Saudi nationals over the next several years. In 1996, a regulation was published requiring companies with over 20 employees to include a minimum of 5 percent Saudi nationals, and to increase the number of Saudi nationals by annual increments of 5 percent. To ensure the Saudiization policy is followed, the Government has ruled that non-Saudis may no longer hold certain jobs/positions. Companies failing to comply with these regulations are penalized.

As companies replace trained expatriates with semi- or untrained Saudis, they find it increasingly necessary to provide training. High attrition rates (estimated at 70 percent in the private sector, 20 percent in Government) put particular stress on the private sector.

An increasing number of organizations, both Government and private, now offer business related training courses, either in-house or at specialized institutions. The market is highly fragmented in an effort to cater to the numerous customer groups. Many ready-made training courses are not suitable for Saudi Arabian culture and must be adapted. Distance learning is being explored with interest in the possibilities provided by Internet. The marketplace is competitive and extremely price conscious. While no estimates of this maturing market are currently available, the statistics below represent a guide to potential market size.

\* Estimated number of job seekers entering market

during current 6th 5-Year Plan (1995-2000)

660,000

\* No. of Government training institutions  
89

\* Estimated private training institutions  
265

\* Training centers for in-house company use  
NA

\* Average annual growth of school/university graduates  
30% (1996-2000)

#### 9- OIL AND GAS EQUIPMENT AND SERVICES (OGM)

Saudi Arabia produces 7.4 million barrels of crude oil per day, and 90 percent of that is exported, making the Kingdom the largest exporter of crude oil in the world. At the end of July 1998, Saudi Aramco successfully commissioned the Shaybah oil field. The company has also continued gradual upgrading of its oil refineries at Ras Tanura, Riyadh, Jeddah, Rabigh and Yanbu. Production capacities have also been enhanced at Saudi Aramco's gas facilities in Shedgum, Uthmaniya and Berri.

A decline in oil prices has forced Saudi Aramco to postpone a number of projects, including the construction of a \$150-200 million gas-oil separator plant (GOSP) in Haradh, and to narrow the scope of upgrading its Rabigh oil refinery on the Red Sea from \$2 billion to \$800 million. In addition, Saudi Aramco has invited pre-qualified companies to rebid on the \$2 billion Hawiyah gas plant project.

HS Code	Product	1997(E)	1998(E)
7304	Iron/steel line pipe and casing	59.5	62.4
7305	Iron/steel line pipe or drill pipe	16.3	17.1
7306	Other line pipe used for oil/gas	480.3	504.3
9025	Floating instruments & parts	9.3	9.7
9026	Flow measurement instruments	59.7	62.6
9027	Gas/smoke analysis apparatus		
9028	Chromatographs & electrophoresis	22.5	23.6
8413	Liquid pumps & parts	153.1	160.7
8411	Gas turbines & parts	215.5	226.2

(Note: The above figures, except for HS 7305 and 7306, are import figures that cover a number of sectors including the oil and gas sectors.)

The Commercial Service Saudi Arabia estimates a five percent annual growth for oil and gas equipment and materials in 1999. The demand for oil and gas products and services fluctuates yearly with the world price of oil; however, operation and maintenance of facilities require ongoing parts and materials plus services.

#### 10- POLLUTION CONTROL EQUIPMENT (POL)

While Saudi Arabia is still a developing nation, the market for pollution control equipment and services is promising. Urban development and industrial growth have compounded Saudi Arabia's environmental problems. Population growth, a significant construction market, a sustainable growth of Saudi Arabia's oil, gas and petrochemical industry, the rising level of ground water, an insufficient sewage system, increasing air pollution, and solid waste have all contributed toward making the Saudi environmental technology market a promising one.

Saudi Arabia's environmental technology market size was estimated at \$42 million in 1997, and was expected to grow by an average of ten percent annually over the next two years. Although it is still a small market by world standards, the Saudi Government is actively working to implement and enforce a number of guidelines to help reduce the levels of pollution and damage to the environment. Once those guidelines are implemented, the Saudi market is expected to expand tremendously; outfitting and refurbishing of industrial facilities alone will cost billions of dollars. A major ruling involves the use of lead-free gasoline by 2001.

The best prospects include recycling systems and equipment, waste water treatment systems, sewage systems, solid waste equipment and systems, equipment and treatment systems for marine pollution, air pollution control equipment and monitoring devices.

Local manufacturing consists of wastewater treatment plants, membrane manufacturing, and some solid waste compacting.

	1997(E)	1998(E)	1999(E)
a. Total Market Size	42	46	50
b. Total Local Production	5	6	7
c. Total Exports	0	0	0
d. Total Imports	38	40	43
e. Imports from the U.S.	12	13	14

(Note: The above statistics are unofficial estimates.)

#### 11- FRANCHISING (FRA)

No concrete data are available on the size of the Saudi franchising market. The Saudi franchise market still presents good potential for U.S. companies and is virtually untapped in many sectors, especially non-food.

Recently, a number of boutique-type retail outlets have emerged in Saudi Arabia that specializes in particular brands. This "franchise" type of selling appears to be a good model for other American franchises wishing to establish a presence in the market.

The "branded" apparel boutiques are mushrooming, especially for French and Italian designers. Non-food franchises account for 55 to 60 percent of the total Saudi franchise market with total sales estimated at \$274 million in 1997. That sector is expected to grow between 9-10 percent annually over the next two years. Best opportunities exist for

business services, telecommunications, automotive products and services, printing and graphic design, mail and packaging, courier services, hotels and motels.

	1997(E)	1998(E)	1999(E)
a. Total Sales	214	231	249
b. Sales by Local Outlets	60	69	75
c. Sales by Local Outlets	60	69	75
d. Sales by foreign outlets	214	231	249
e. Sales by U.S. outlets	150	161	174

(Note: The above statistics are unofficial estimates.)

#### 12- SECURITY AND SAFETY EQUIPMENT (SEC)

Despite the current recession in Saudi Arabia and resultant downturn of the market in general, imports of (non-defense related) industrial security items in 1998 are estimated to have risen by 10 percent reaching \$102.9 million. Expansion is expected to continue at a rate of 10 percent over the next year, possibly tailing off slightly towards the end of 2000. American products continue to hold an approximate 70 percent market share.

Security continues to concern both the private and public sectors. The recession continues to force budget belt tightening, but security is still of paramount importance, and integrated security systems are a Government requirement at industrial and utility sites. Although many petroleum related projects are on hold, others, such as the Hawiyah Gas Plant (requiring Intrusion Detection Assessment System - IDAS) are ongoing. Expansion continues in the area of water desalination and power generation plants. Lack of strength in the economy is causing a marked increase in crime - industrial, corporate and general public - and this is a rapidly expanding area for security development. The requirement for secure communications equipment is expected to increase substantially.

	1997	1998(E)	1999(E)
a. Total Market Size	92.6	102.9	113.2
b. Total Local Production	0.0	0.0	0.0
c. Total Exports	0.0	0.0	0.0
d. Total Imports	92.6	102.9	113.2
e. Imports from the U.S.	64.8	72.0	79.3

(Note: the above statistics are unofficial estimates)

#### 13- MINING EQUIPMENT (MIN)

Saudi Arabia has the largest mineral deposits in the Arabian Gulf. Mineral resources are abundant as well as industrial minerals. The

Deputy Ministry for Mineral Resources (DMMR) at the Ministry of Petroleum and Mineral Resources has located 1,273 sites of precious metals, and 1,171 sites of non-precious metals. Over 30 minerals have already been identified in the Kingdom, with at least 15 industrial minerals that could be successfully exploited by investors. Many of the industrial minerals that were identified would generate a 30 percent return on investment, based on the DMMR's projections. The DMMR has identified more than 64 mining projects that offer investment opportunities for private investors.

As of mid-1997, total investment in the mining sector reached \$6.67 billion. The DMMR has compiled a comprehensive amount of data on Saudi mining sites, and has made this data available to potential investors plus a specialized library containing at least 4,000 reports, studies, and maps.

The Saudi Arabian Mining Company (Ma'adin) is responsible for regulating the mining sector and overseeing its progress, as well as consolidating mining projects that are wholly or partially owned by the Government, and revamping Government projects on a commercial basis in partnership with the private sector. Ma'adin was also tasked with revising the Mining Code, to ensure a more streamlined process in an effort to stimulate private investment. The Saudi Arabian mining code extends a number of incentives to investors. Exploration leases are initially for five years, renewable for another four years and could be granted to cover an area of 10,000 square kilometers. Mining leases are initially for 30 years, but they are renewable for another 20 years. Mining leases come with a five-year tax exemption. All imported mining equipment is exempted from import and export duties. Foreign investors in the mining sector may repatriate their profits and capital with no restrictions. To date, over 920 exploration licenses have been issued and scores of others are being processed.

#### 14- APPAREL (APP)

A number of factors help to keep Saudi Arabia a growing and promising market for U.S. apparel manufacturers/suppliers, namely, an above-average population growth figure of about 3.5 percent, two to three million pilgrims who visit Islam's holy sites in Makkah and Medina every year, and two annual religious celebrations, the "Eid Al-Fitr" at the end of the holy month of Ramadan and the "Eid Al-Adha" at the end of the Hajj rituals.

A slower economy has negatively affected Saudi per capita GDP, which fell from \$7,600 in 1997 to \$6,600 in 1998. Similarly, consumer spending was hit by lower disposable income, and apparel sales in the mid-to-upper range were affected. Apparel imports will not grow as much as they did in previous years; contrary to previous forecasts, apparel imports fell two percent in 1998, but industry sources expect the market to bounce back in 2000. Still, the market is large. Although the U.S. share of the Saudi apparel market is low compared to European and Southeast Asian suppliers, U.S. apparel exports to Saudi Arabia are expected to grow by an average four percent annually, as more U.S. branded stand-alone boutiques are opened.

	1997(E)	1998(E)	1999(E)
a. Total Market Size	920	906	906

b. Total Local Production	70	75	75
c. Total Exports	12	13	13
d. Total Imports	862	844	844
e. Imports from the U.S.	79	77	77

(Note: The above statistics are unofficial estimates.)

#### 15- INSURANCE (INS)

Saudi Arabia is the largest market among the countries of the Gulf Cooperation Council (GCC) and the second largest in the Arab world.

Insurance premiums in Saudi Arabia amounted to \$760.5 million in 1997, a 5.1 percent growth over the previous year. Based on a local survey, there are close to 70 insurance companies in Saudi Arabia offering all categories and classes of insurance. Medical insurance in 1997 registered the highest growth at 25.1 percent reflecting an increased awareness and a move toward private healthcare providers.

Motor insurance was the top class of insurance, accounting for more than 23 percent of written premiums, followed by medical at around 18 percent, and fire at 14 percent. Insurance premiums covering oil facilities, major projects, marine and aviation represented 44.4 percent of total premiums.

#### Best Prospects for Agricultural Products

##### 1- CORN (0440000)

Livestock and poultry farming are growing steadily in Saudi Arabia. The two largest poultry producers, Al Watania and Al Fakieh, completed expansion projects in 1996, causing broiler output to jump 30 percent. As a result, U.S. corn exports to Saudi Arabia rose 25 percent in value from 1996 to 1998. The U.S. accounts for nearly 95 percent of imported corn, and the market is expected to increase as small to medium sized farms also increase production. Despite the increase in output, Saudi Arabia remains a significant importer of frozen broilers; hence there remains much room for expansion.

	1997(E)	1998(E)	1999(E)
a. Total Market Size	260	270	281
b. Total Local Production	9	5	5
c. Total Exports	0	0	0
d. Total Imports	251	265	276
e. Imports from the U.S.	239	251	261

Note: This table shows CIF values.

##### 2- SOYBEAN MEAL (0813100)

Soybean meal is used principally in poultry feeding and to a lesser extent in livestock rations. The recent increase in local poultry production resulted in a 30 percent increase in the value of soybean meal imports by the Kingdom in 1998 compared to the last two years. With nearly 85 percent market share, the U.S. is the dominant supplier of soybean meal to Saudi Arabia, followed by India. As with corn, U.S. exports of soybean meal will continue to increase as small to medium sized poultry producers expand production.

	1997(E)	1998(E)	1999(E)
a. Total Market Size	180	187	190
b. Total Local Production	0	0	0
c. Total Exports	0	0	0
d. Total Imports	180	175	176
e. Imports from the U.S.	153	159	162

Note: This table shows CIF values.

### 3- RICE (0422110)

The Saudi market for rice is large and growing. The country relies on imports to cover all of its needs for this staple food product. Though the U.S. is a major player in the rice market, competition is stiff. India is the dominant force in this market with about 60 percent market share followed by the United States at about a 20 percent market share. Indian suppliers aggressively compete with U.S. suppliers in both price and promotional activities. Other competitors include Pakistan, Thailand and Australia.

The Saudi population is growing at a rate of 3.4 percent a year and more than 80 percent of Saudis and a majority of expatriates consume rice daily. Recently, major Saudi rice importers started importing bulk rice and bagging them for re-export to nearby African and Arab countries. U.S. rice is shipped in bulk to a modern packing plant in Jeddah and a percentage is transshipped as well. There are opportunities for the U.S. to regain market share, but U.S. exporters must be price competitive and provide more lenient payment terms.

	1997(E)	1998(E)	1999(E)
a. Total Market Size	350	364	379
b. Total Local Production	0	0	0
c. Total Exports	0	0	0
d. Total Imports	370	385	404
e. Imports from the U.S.	67	68	70

Note: This table shows CIF values.

### 4- PROCESSED FRUITS AND VEGETABLES

The demand for processed fruits and vegetables in Saudi Arabia is substantial. The growth of supermarket food sales is helping to broaden the market, and good market growth is expected to continue.

Local production of canned fruits and vegetables has increased over the past five years, however, insufficient local fruit and vegetable output and the high costs related to importing them for use in local processing suggest that a significant demand for processed fruits and vegetables will continue to be met by imports. About 60 percent of the local production reported in this section are for dates that are locally produced and processed.

	1997(E)	1998(E)	
1999(E)			
a. Total Market Size	335	348	362
b. Total Local Production	210	230	251
c. Total Exports	5	6	7
d. Total Imports	125	118	111
e. Total Imports from U.S.	25	25	24

Note: This table shows CIF values.

#### 5- SNACK FOODS (EXCLUDING NUTS)

The last official census indicated that more than 60 percent of the Saudi population is in their teens, which as a group is a heavy user of snack foods. Local production of snack foods has dramatically increased in recent years. Leading companies have realized the potential for the snack market and have launched massive production units. There is a general decline in imports of corn & wheat-based snacks. Candies and chocolates are also being manufactured on a large scale. However, there is still room for quality branded chocolates and snacks. Exporters may also look into supplying raw materials for the fast growing snack industry. The U.S. has a strong positive image in the market, since U.S. products are associated with quality. Products focusing on Saudi trade preferences, which tend to favor sweeter items, generally find better market reception.

	1997(E)	1998(E)	
1999(E)			
a. Total Market Size	110	114	119
b. Total Local Production	65	70	75
c. Total Exports	10	12	13
d. Total Imports	45	44	44
e. Total Imports from U.S.	20	19	18

Note: This table shows CIF values.

#### 6- BREAKFAST CEREALS

The U.S. had been the market leader in this sector. However, Kellogg's (Germany) and other breakfast cereals from Europe have brought down U.S. market share significantly. However, the demand for breakfast cereal is on the rise.

Promotion and advertising efforts are particularly important to acquaint potential consumers with these non-traditional products in order to gain wider consumer acceptance.



	1997(E)	1998(E)	
1999(E)			
a. Total Market Size	38	40	40
b. Total Local Production	5	6	6
c. Total Exports	0	0	0
d. Total Imports	33	34	34
e. Total Imports from U.S.	17	18	18

Note: This table shows CIF values.

## VI. TRADE REGULATIONS, CUSTOMS, AND STANDARDS

### Trade Barriers

Saudi Arabia is currently in the process of accession to the World Trade Organization (WTO). Once Saudi Arabia is admitted, the country's trade regime should become more accommodating to non-Saudi business and transparent. Saudi laws often favor Saudi citizens, and the Kingdom still has a set of trade barriers, mainly regulatory and bureaucratic practices, which restrict the level of trade.

For example, only Saudi nationals are permitted to engage in trading activities. All industrial enterprises are open to non-Saudis, and they can also trade in the products they manufacture. Non-Saudis are not permitted to register as commercial agents.

Other trade barriers are:

**Commercial Disputes Settlements:** Saudi Arabia has signed the New York Convention on foreign arbitral awards. While this is an encouraging step, the enforcement of foreign arbitral awards has yet to be tested in practice. Government agencies are not allowed to agree to international arbitration without agreement from the Council of Ministers, which, we understand, is rarely granted.

**Business Visas:** All visitors to Saudi Arabia must have a Saudi sponsor in order to obtain a business visa to enter Saudi Arabia. The Saudi who agrees to act as a sponsor accepts certain legal obligations including personal liability for the actions of the visitor. Therefore, a Saudi rarely assumes sponsorship unless he has a personal interest in the proposed visit.

In practice, this makes it very difficult for an American businessperson to visit Saudi Arabia to investigate the market or to select a local representative without incurring some obligation to his sponsor, e.g., the right of first refusal on any business opportunity developed. Although the process of obtaining a visa has been streamlined, naturalized American citizens of Arab descent and women continue to experience difficulties in procuring business visas, even when they have a sponsor. The Saudi Arabian Government has indicated that U.S. citizens of the Jewish faith as well as U.S. citizens with an Israeli exit and entry stamp should face no difficulty in getting a visa to visit Saudi Arabia.

The Saudi Government announced some new, more streamlined measures in May 1998 for business travelers. Investors or potential investors wishing to visit Saudi Arabia must have a Saudi sponsor to obtain the necessary business visa. On rare occasions the Saudi Embassy or Consulates may grant, at their discretion, sponsorless business visas to employees of prominent American firms, but this practice is unpredictable. Business visas are currently valid for only one entry for up to three months, although the Saudi authorities may soon agree to issuance of two-year, multiple-entry visas to U.S. citizens on a reciprocal basis.

Under existing rules, if a businessperson went to Saudi Arabia, then departed and later wanted to reenter Saudi Arabia, he or she would need to reapply for a new visa including a new sponsorship letter. Businesswomen and Americans of Arab descent sometimes face difficulties when requesting visas.

**Delayed Payments:** This can be an important concern for affected U.S. companies. Although some Saudi Government agencies still have outstanding dues in 1998 and 1999, the Saudi Government has taken several measures to reduce its arrearages. Nonetheless, the problem persists, and U.S. companies should check with the U.S. Embassy or Consulates for information on the current arrearage situation.

In 1998, due to budgetary shortfalls arising from lower than anticipated oil prices, some Government contracts were paid in bonds. Companies may either hold the bonds to maturity or sell them to local banks, usually at a discount of 1 to 2 percentage points.

The Government issued over \$3 billion worth of riyal-denominated Saudi Government Bonds (SGBs) in 1998, and gave contractors equal tranches of 1-, 2-, 3-, and 4-year bonds. For most of the year, yields were set at a level slightly above that of comparable U.S. Treasuries.

Due to accounting procedures used by the Saudi Government, the Department of Zakat and Income Tax will impose taxes even on payments that have not been received, arguing that the fact of non-payment is essentially immaterial in the tax liability determination process.

**Intellectual Property Protection:** The Saudi legal system protects and facilitates acquisition and disposition of all property rights, including intellectual property. The Saudi Government has acceded to the Universal Copyright Convention; implementation began on July 13, 1994.

Saudi Arabia's Copyright Law does not extend protection to works that were first displayed outside of Saudi Arabia, unless the author is a Saudi citizen. However, the Saudi Government maintains that this is sufficient to extend protection to foreign works.

The Saudi Government has taken actions to enforce copyrights of U.S. firms, and pirated material has been seized or forced off the shelves of a number of stores. The latest religious edict (Fatwa) by the highest religious authority in Saudi Arabia condemns software piracy. Overall, however, piracy remains a problem.

Saudi Arabia has had a Patent Law since 1989 and the Patent Office accepts applications, but the number of patents issued remains limited. Protection is available for product and product-by-process. Product-by-process protection is extended to pharmaceuticals. There are provisions in the Patent Law for compulsory licenses for non-working and dependent patents. The term of protection is 15 years. The patent holder may apply for a five-year extension.

Trademarks are protected under the Trademark Law. Trade secrets are not specifically protected under any area of Saudi law; however, they are often protected by contract. There is no specific protection for semiconductor chip layout design. Several of these issues are being taken up in connection with Saudi Arabia's application to become a member of the WTO.

Counterfeiting: Consumer products and automobile spare parts manufacturers are particularly concerned about the widespread availability of counterfeit products in the Kingdom. While anti-counterfeiting laws exist, the U.S. Government has urged the Saudi authorities to step up enforcement actions against perpetrators.

Arab League Boycott: The Gulf Cooperation Council, i.e., Saudi Arabia, Kuwait, Bahrain, Oman, Qatar, and the United Arab Emirates, announced in the fall of 1994 that its members would no longer enforce the secondary and tertiary aspects of the Arab League Boycott. The primary boycott against Israeli companies and products still applies.

Advice on boycott and anti-boycott related matters is available from the U.S. Embassy or from the Office of Anti-boycott Compliance in Washington, D.C., at (202) 482-2381.

Protective Tariffs and Non-Tariff Trade Barriers: Saudi tariff protection is generally moderate, but has increased over the years.

A number of Saudi "infant industries" now enjoy 20 percent tariff protection as opposed to the general rate of 12 percent. Saudi non-tariff barriers also are increasing.

Such barriers include preferences for national and GCC products in Government procurement; a 30 percent of contract value "set-aside" for local contractors on major Government projects; a requirement that foreign contractors obtain their imported goods and services exclusively through Saudi agents; reservation of some services for Government-owned companies, namely, insurance and air transport; and the economic offset requirement mandating reinvestment of a portion of contract value in indigenous industries for certain high value Government contracts, particularly in defense.

#### Customs Valuation

The Department of Customs at the Ministry of Finance and National Economy appraises all merchandise moving through Saudi customs ports. Import valuation is primarily used for collection of import duties and often does not reflect the actual transaction value. Saudi customs valuation procedures are not WTO-consistent; nor are they based on invoice value.

Minimum prices are used, which is contrary to the WTO. Customs agents rely on their own experience and local prices, as well as some contact with manufacturers, to assess import tariffs.

For statistical purposes, the valuation of imported merchandise is the Cost-Insurance-Freight (CIF) value. The value of exported merchandise is based on Free On Board valuation (FOB). The Saudi tariff nomenclature is consistent with the Harmonized System. There does not seem to be a significant body of rule making or documentation available. Appeals are frequently done orally, and an appeals committee, under the Deputy Director General of Customs, meets frequently.

Although Saudi Arabia is a member of the Customs Coordination Council, Saudi Customs officers do not have the authority to do investigative work on business premises; nor do they have enforcement powers. These powers are vested in the Ministry of Interior.

The U.S. Government, through a reimbursable arrangement with the Saudi Government, is working with Saudi authorities to upgrade customs valuation procedures. This is particularly important in connection with Saudi Arabia's bid to accede to the WTO.

#### Import Licenses

The importation of certain articles is either prohibited or requires special approval from competent authorities. In addition, import of the following products requires special approval by Saudi authorities: agricultural seeds; live animals and fresh and frozen meat; books, periodicals, movies, and tapes; religious books and tapes; chemicals and harmful materials; pharmaceutical products; wireless equipment; horses; products containing alcohol, e.g., perfume; natural asphalt; archaeological artifacts.

#### Temporary Entry

For temporary entry of goods for promotional purposes, imports need an invoice with the value of the goods endorsed by the local chamber of commerce, and a certificate of origin. The invoice should state that the goods are being imported for exhibition purposes only and will be re-exported.

Saudi Customs requires a deposit for these goods (either 12 percent or 20 percent of the total value). This deposit is refundable when the exhibition is over and upon showing a document that the owner of the equipment officially participated in a trade show. Additionally, the customs authorities will collect handling charges. Reimbursement takes between two to four weeks.

#### Special Import/Export Requirements and Certifications

There are no special import provisions. Unusual cases should be worked out on a case-by-case basis with Saudi Customs. The following documents are required for exporting goods into Saudi Arabia: a notarized certificate of origin authenticated at a Saudi diplomatic mission and local chamber of commerce or the U.S.-Saudi Business Council; a similarly authenticated invoice (in triplicate) which must state the country of origin, name of the carrier, brand and number of

goods, and description of the goods including weight and value; a clean bill of lading; documents indicating compliance with health regulations, if applicable; and insurance documents if shipments are sent CIF.

The original documents must be accompanied by an Arabic translation; a Saudi Arabian Standards Organization (SASO) certificate of conformity issued by Intertek Testing Laboratories, if applicable; and a radiation certificate, if applicable.

In late 1997, the Saudi Embassy in Washington advised U.S. traders to obtain authentication of certificates of origin and other necessary documents through the U.S.-Saudi Business Council, which has offices in Washington and Riyadh.

#### Labeling and Marking Requirements

Labeling and marking requirements are compulsory for any products to be exported to Saudi Arabia.

The Saudi Arabian Standards Organization (SASO) is the legislative authority responsible for establishing labeling and other guidelines in the Kingdom. The Ministry of Commerce, on the other hand, is the executive body vested in implementing SASO's guidelines through its inspection and test laboratories spread at ports of entry Kingdomwide.

Labeling is particularly important for companies marketing food products, personal care products, health care products, and pharmaceuticals. SASO has specific requirements for identifying marks and labels for various imported items. Companies can request a copy of the labeling requirements by contacting SASO at Tel: (966 1) 452-0000 or Fax: (966 1) 452-0086. Recently, SASO started enforcing a previous regulation requesting an Arabic manual with household electrical appliances.

Quality control laboratories at ports of entry may reject the entry of products that are in violation of existing laws. Products arriving at port having less than one-half of the time remaining between production and expiration date will be rejected and cannot be sold on the market. U.S. manufacturers are urged to discuss labeling requirements with their selected representative or distributor.

#### Prohibited Imports

Saudi law prohibits importation of the following products: weapons, alcohol, narcotics, pork, pornographic materials, distillery equipment, and certain sculptures.

Special approval is required for the import of seeds, food, livestock, books, periodicals, religious books, movies, chemicals, pharmaceuticals, wireless equipment, horses, perfumes, natural asphalt, and archaeological pieces. There are health and sanitation regulations on all imported foods. The Ministry of Commerce has issued a number of directives aimed at preventing outdated goods from entering the Kingdom and requiring Arabic and point of origin labeling.

#### Export Controls

Saudi exporters need to submit a copy of their commercial registration, which indicates they are allowed to export. They are also required to submit a certificate of origin of Saudi products (issued by the Ministry of Commerce). Certain items such as antiques, Arabian horses, livestock, or subsidized items need special approval to export. Exports of oil, petroleum products, natural gas and wheat all require export licenses.

Standards (incl. ISO 9000 Usage)

The Saudi Arabian Standards Organization (SASO) has over 1420 SASO and 1000 Gulf promulgated standards, and is actively pursuing the promulgation of hundreds of new standards currently in various drafting stages of development.

Labeling and expiration date requirements are stringent and an export impediment for U.S. fresh eggs and bottled baby food products.

Saudi Arabia's residential electric power system of 127 volts, 60 Hertz, is unique and has caused export problems for many American firms. However, SASO will accept electrical products as low as 120 volts, 60 Hertz.

A standards representative has been assigned to SASO from the U.S. Department of Commerce's National Institute of Standards and Technology (NIST) to advise the Saudi Government in developing standards and work to insure that new standards are not inconsistent with those in the United States.

New draft standards are forwarded to U.S. industry associations for comments and recommendations, before finalization by SASO. Other developed nations have similar programs. The U.S. NIST representative can be reached by fax at 966-1-488-3237.

SASO has decided to adopt ISO 9000 as the approved standards for Saudi Arabia and to act as an accreditation body through the Quality Assurance Department. Compliance will be on a voluntary basis. However, it would be prudent for U.S. industry and services to consider this matter seriously in their planning.

There may be many cases where procurement agencies will insist on purchasing and placing orders only with those companies that are in compliance with ISO 9000, or the U.S. equivalent series.

In Saudi Arabia, SASO will set up its own certification organization for locally manufactured products, as several SASO employees have been certified to work as professional auditors in conformance to ISO 9000 series standards. Ever since its inception in November 1995 by the Ministry of Commerce the certification program, known as the International Conformity Certification Program (ICCP), is still applicable to 66 regulated products.

The purpose of the program is one of consumer protection, ensuring that products and goods entering the Kingdom are in conformance with SASO standards. On behalf of SASO, the Intertek Testing Services administer

the ICCP on a global basis. Products may require laboratory testing before certificates of conformity are issued by Intertek.

The program consists of two related but separate processes: LISTING - Regulated products exported to the Kingdom of Saudi Arabia must be registered by the manufacturer; SHIPMENT CERTIFICATION - Regulated products exported to the Kingdom need to be inspected for compliance prior to shipment.

With the exception of certain food products, all other regulated products will require Certificates of Conformity (COC's) issued by Intertek; otherwise, customs authorities at the port of entry will reject the shipment. In addition, shipments valued at less than \$5000 do not require the ICCP.

Used motor vehicles were added to the regulated product list and will be strictly enforced by customs at point of entry.

SASO's Licensing Center should be contacted for detailed information at the following address:

Nabil (Bill) Bekdash, Regional Licensing Center Manager  
SASO - ICCP  
Intertek Testing Services  
70 Codman Hill Road  
Boxborough, MA 01719  
Phone: (978) 635-8651/8652/8653, Fax: (978) 635-1620  
E-mail: nbekdash@itsqs.com

For clarification on regulated product guidelines and procedures, contact SASO's Program Manager Regional Office (PMRO) at the following address:

Mr. Craig Bryant or Mr. Yusef Soutari  
3741 Red Bluff Road  
Pasadena  
Houston, TX 77503  
Phone: (713) 475-9184, Fax: (713) 475-2083

#### Free Trade Zones/Warehouses

There are no free trade zones in Saudi Arabia, although the Government is considering them.

#### Membership in Free Trade Arrangements

Saudi Arabia is a member of the Gulf Cooperation Council (GCC) which consists of Kuwait, Qatar, Bahrain, the UAE, Oman, and Saudi Arabia. Membership confers special trade and investment privileges within those countries. The GCC is not yet, however, a full-fledged customs union. Member states have set a target date for customs union in March 2001. Saudi Arabia is also a member of the Arab League. Recently, Arab League states have agreed to negotiate an Arab Free Trade Zone. Under

the arrangement, countries should negotiate tariff reductions of 10 percent per annum. Provision may be made for more expeditious tariff reductions on a reciprocal basis between Arab States.

#### Customs Contact Information

Saudi Arabian Department of Customs  
 Contact: H.E. Mr. Saleh Al-Barrak, Director General  
 P.O. Box 3483, Riyadh 11471, Saudi Arabia  
 Phone: (966 1) 401-3334, Fax: (966 1) 404-3412

### VII. INVESTMENT CLIMATE

#### Openness to Foreign Investment

The Saudi Government generally encourages foreign direct investment, particularly in the case of foreign investment in joint ventures with Saudi partners. Though Saudi Arabia technically allows wholly foreign-owned firms to operate, such ventures are rare. With an eye to stimulating greater foreign investment to strengthen the non-oil private sector, Saudi Arabia is revising its 30-year-old investment code and foreign corporate tax code. These revisions may enhance the attractiveness of Saudi Arabia to foreign investors. A completion date is uncertain.

The Government and the private sector actively promote investment opportunities in Saudi Arabia, particularly partnerships with Saudi businessmen that expand job opportunities in the industrial sector, that transfer technology to the Kingdom, or expand Saudi Arabia's export capabilities. Currently, the Government is focusing on attracting investment in infrastructure, such as electric power generation, but has yet to make such investments financially attractive. Disincentives include a high tax rate on a foreign partner's corporate profits (although tax holidays are available under certain conditions), a government policy of forced hiring of Saudis, the practical requirement for a foreign investor to have a Saudi partner, a conservative cultural environment, and an extreme desert climate.

The Ministry of Industry and Electricity periodically identifies investment opportunities, as do the Saudi Chambers of Commerce and Industry and private consulting houses. Other Government bodies, such as the Royal Commission for Jubail and Yanbu and the Arriyadh Development Authority, have also been active in promoting opportunities in Saudi Arabia's industrial cities and other regions. In addition to the majority Government-owned Saudi Arabian Basic Industries Corporation (SABIC), private investment companies, such as the National Industrialization Corporation, the Saudi Venture Capital Group, the Saudi Industrial Development Company, and the Arabian Industrial Development Company, have also become increasingly active in project development and in seeking out foreign joint venture partners. The Saudi Government is currently considering the establishment of a "one-stop" facility meant to promote foreign direct investment.

One sector closed to foreign investment is upstream oil and gas exploration and development, as the Saudi Government considers this sector to be of strategic national interest. All oil exploration and



development is conducted by the national oil company, Saudi Aramco. Conversely, the greatest foreign investment in the Kingdom is found in a related sector--petrochemicals, where several major foreign firms have partnered with Saudis to build world-scale petrochemical plants.

The Government uses its purchasing power to encourage foreign investment. In 1985, and under the Peace Shield Defense procurement program, the Saudi Government reached an agreement with American contractors for "offset" joint venture investments equivalent to 35 percent of the program's value. One Peace Shield offset program, the Al-Salam Aircraft Company in Riyadh, which performs maintenance on civilian and military aircraft, received FAA certification in September 1994.

AT&T (now Lucent Technologies) undertook the first non-defense offset project in connection with the \$4 billion sixth Telephone Expansion Project (TEP-6). British and French defense firms also have offset requirements. Offset requirements are likely to remain components of major defense purchases.

#### Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity. Private entities generally have the right to freely establish, acquire, and dispose of interests in business enterprises. Certain activities are reserved for state monopolies.

#### Protection of Property Rights

The Saudi legal system protects and facilitates acquisition and disposition of private property, consistent with strong Islamic dogma respecting private property. Non-Saudis are not allowed, however, to purchase real estate in Saudi Arabia, except in extremely rare situations. Other foreign-owned corporate and personal property is protected, and the Embassy knows of no cases of Government expropriation or nationalization of foreign-owned assets in the Kingdom.

Regarding intellectual property rights, the Saudi Arabian Government has acceded to the Universal Copyright Convention; implementation began July 13, 1994. Entry to the WTO would require compliance with the TRIPS regime of trade-related intellectual property measures.

Saudi Arabia has had a Patent Law since 1989, and the Patent Office accepts applications, but it has only issued a few patents and has a vast backlog of applications. Protection is available for product and product-by-process. Product-by-process protection is accorded in the pharmaceutical sector. There are provisions in the Patent Law for compulsory licenses for non-working and dependent patents. The term of protection is 15 years. The patent holder may apply for a five-year extension.

Saudi Arabia has a Copyright Law. However, this law does not extend protection to works that were first displayed outside of Saudi Arabia unless the author is a Saudi citizen. The Saudi Government has taken actions to enforce copyrights of U.S. firms, and pirated material has been seized or forced off the shelves of a number of stores.

Enforcement has been strongest for printed material, recorded music, and videos. Pirated software is still easily obtained in Saudi Arabia, although it has been removed from open display on store shelves. A recent Islamic ruling, or "fatwa" ruled software piracy to be "forbidden." In 1996, Saudi Arabia was moved from a "priority watch list" country to a "watch list" country under the Special 301 provision in recognition of its work to improve intellectual property protection. Saudi Arabia remains on the "watch list".

Trademarks are protected under the Trademark Law. Trade secrets are not specifically protected under any area of Saudi law. Nonetheless, they are often protected by contract. There is no specific protection for semiconductor chip layout design. However, such protection would be provided under the Patent Law and the Copyright Law. This, and certain other intellectual property concerns, are being addressed under the TRIPS agenda issue, in connection with Saudi Arabia's application to accede to the WTO.

#### Adequacy of Laws and Regulations Governing Commercial Transactions

While Saudi law permits a variety of corporate structures, joint ventures almost always take the form of limited liability partnerships. This form of organization does confer limited liability (See below). However, there are disadvantages. Foreign partners in service and contracting ventures organized as limited liability partnerships must pay in cash or kind 100 percent of their contribution to authorized capital.

Industrial projects normally require 25 percent capitalization, although it may be higher for some industries. Additionally, 10 percent of profits must be set aside each year in a statutory reserve until it equals 50 percent of the venture's authorized capital.

The Ministry of Industry and Electricity licenses direct foreign investment, except for mineral concessions, which are governed by separate agreements. Otherwise, all proposals for new investments, reinvestment, mergers, or acquisitions must go through that Ministry's licensing process. For ventures with Government participation, the process is usually only a formality. On the other hand, for a purely private venture, the process can involve a considerable amount of time and effort, although this may vary depending on the Saudi partner's involvement in the process.

Operating under the Foreign Capital Investment Regulations, the Ministry of Industry and Electricity's "Foreign Capital Investment Committee" screens all license applications and counsels prospective investors. License applications must be accompanied by a formidable array of documents including a feasibility study, an outline of the venture's proposed capital structure and legal form, the partnership agreement, plans to train Saudi nationals for technical and managerial positions, and procurement plans for machinery and other equipment. Applicants must also submit permits to use specific patents, the foreign partner's foreign certificate of registration, and authorization from the foreign partner's board of directors.

Following the initial screening, the Foreign Capital Investment Committee evaluates applications. The Committee is chaired by the

Deputy Minister of Industry and Electricity and includes representatives from other relevant ministries, including the Ministries of Commerce, Finance, Agriculture, Planning and Petroleum. License applications approved by the Committee then require the approval of the Minister of Industry and Electricity.

The new joint venture must apply for a commercial registration number from the Ministry of Commerce. Depending on the type of business, additional approvals may be needed, such as from the Ministry of Health in the case of a health care business.

The Foreign Capital Investment Committee evaluates projects using a variety of factors.

Foremost is the project's compatibility with Saudi Arabia's basic economic goals:

1. Economic diversification.
2. Access to modern technology.
3. Development of a trained Saudi labor force to reduce dependence on foreign labor.
4. Addition to export base.

The Committee looks with a special favor on projects involving the transfer of high technology, preferring firms with experience in the proposed field of investment. The Committee evaluates royalty arrangements and the price of equipment to be supplied by the foreign partner. Additionally, while there is no minimum foreign equity requirement for joint ventures, more than nominal investment is encouraged. Intangible property is not counted toward this investment, and a Saudi accountant must evaluate the monetary worth of any contributions in kind.

The Embassy understands that the Foreign Capital Investment Committee will not license a second joint venture in a specific industry sector until the Committee agrees the first venture is "established." While this would be beneficial to initial licensees, it could also tie up industrial and commercial opportunities for extended periods.

Professionals, including architects, consultants and consulting engineers, are required to register with and be certified by the Ministry of Commerce in accordance with the requirements defined in the Ministry of Commerce's resolution 264, published in 1982.

These regulations, in theory, permit the registration of Saudi/foreign joint ventures. However, according to business sources, the regulations have never been fully implemented. As a result, most foreign consulting firms work as adjuncts to established Saudi firms.

Foreign investors are denied national treatment in the following sectors: catering, cleaning, maintenance and operations of facilities,

power generation, trading, transportation, and businesses that affect national security.

Saudi privatization efforts are embryonic. In May 1998, the Council of Ministers announced the establishment of the Saudi Telecommunications Corporation (STC), the first phase of privatization of telecommunications services. STC will operate as a wholly state-owned corporation for two years before privatization can begin. STC may seek a foreign strategic partner in the privatization. In a related development, the Saudi Government in May 1998 also authorized private operation of postal collection services. As of July 1998 there were already over 100 private postal offices across the Kingdom, including some with foreign participation.

Saudi ports have since 1997 begun "privatizing" port services by signing long-term contracts with private providers. Although foreign companies have entered this market through joint ventures, so far, no U.S. firms have taken part. The Government has also raised the prospect of privatizing the national airline, Saudi Arabian Airlines (previously Saudia), although no clear decisions have been made. Other potential privatizations are being studied.

There is a clear hierarchy of privileges and preferences in Saudi Arabia that favors Saudi companies and joint ventures with Saudi participation. For instance, only firms with at least 25 percent Saudi ownership are eligible for tax holidays and interest-free loans from Government credit institutions such as the Saudi Industrial Development Fund. Similarly, only foreign-owned corporations and the foreign-owned portion of joint ventures are subject to the corporate income tax, which can range up to 45 percent of net profits.

Only Saudi companies or citizens, or those from the other Gulf Cooperation Council (GCC) countries (Kuwait, Bahrain, Qatar, UAE and Oman) may own land or engage in internal trading and distribution activities. Similarly, only joint ventures with at least 51 percent GCC ownership interest are permitted to export duty-free to other GCC countries.

Taken together, the above conditions represent a formidable array of factors that can severely disadvantage a foreign investor attempting to operate his wholly-owned company in Saudi Arabia. The formerly common practice of Saudis illegally lending their names to a foreign-owned and operated business, so-called "cover-ups," was curtailed by Royal Decree m/49 of May 21, 1989. Saudis and foreigners who engage in such "cover-ups" to evade Saudi commercial regulations are now subject to severe penalties, including imprisonment, stiff fines, and deportation for the foreigner.

While, theoretically, American and other foreign firms are able to participate in Saudi Government financed and/or subsidized research and development programs on a national treatment basis, the Embassy is not aware of any examples.

Among the leading obstacles for foreign investors are restrictive Saudi visa requirements regarding initial issuance, number of entries, and

duration of validity. The Saudi Government announced some new, more streamlined measures in May 1998 for business travelers. Investors or potential investors wishing to visit Saudi Arabia must have a Saudi sponsor to obtain the necessary business visa. On rare occasions the Saudi Embassy or Consulates may grant, at their discretion, sponsorless business visas to employees of prominent American firms, but this practice is unpredictable. Business visas are currently valid for only one entry for up to three months, although the Saudi authorities may soon agree to issuance of two-year, multiple-entry visas to U.S. citizens on a reciprocal basis.

Under existing rules, if a businessperson went to Saudi Arabia, then departed and later wanted to reenter Saudi Arabia, he or she would need to reapply for a new visa including a new sponsorship letter. Businesswomen and Americans of Arab descent sometimes face difficulties when requesting visas.

For an American to work in Saudi Arabia, a Saudi company must formally petition for a work visa on that person's behalf. Once formalities in Saudi Arabia are finalized, the Saudi firm then sends the approved petition to the Saudi Embassy in Washington or to the Saudi consulates in New York, Los Angeles, or Houston. The American can then apply for the visa.

Within three days of arrival in Saudi Arabia on a working visa, the American must go to the Ministry of Interior Passports Office and apply for a residence permit called an "Igama."

The Saudi employer holds the American's passport while the American uses the Igama for identification purposes. Whenever the American wants to leave Saudi Arabia, the sponsor must get an exit/re-entry or exit visa; then the American exchanges his or her Igama for the passport.

Since the Saudi firm holds the passport, it has the potential to exert great influence on the foreign employee's movements. Americans who come to Saudi Arabia cannot directly bring their families with them. The employee can apply for his or her family's visas only from within Saudi Arabia.

#### Foreign Trade Zones/Free Ports

Saudi Arabia does not have duty-free import zones or freeports. It has begun to permit transshipment of goods through its ports in Jeddah and Dammam.

#### Major Taxation Issues Affecting U.S. Business

The Saudi Government is considering revisions to the foreign corporate tax code, which currently taxes foreign corporate profits at rates as high as 45 percent. Saudi officials have said that the new law will be approved in 1999, but the exact timing remains uncertain.

#### Performance Requirements/Incentives

Under the 1969 labor and workman regulations, 75 percent of a firm's work force and 51 percent of its payroll must be Saudi, unless an exemption has been obtained from the Ministry of Labor and Social Affairs. The Saudi Government recently implemented a regulation requiring each company employing over 20 workers to include a minimum of five percent Saudi nationals.

Companies not complying with the five percent rule (which will increase in annual increments of five percent) will not be given visas for expatriate workers. However, Saudis represent only about one-quarter to one-third of the estimated 8 million workers in Saudi Arabia, so few firms have been able to meet these requirements. Foreign firms are under constant pressure to employ more Saudis.

Investors are not currently required to purchase from local sources or export a certain percentage of output, and their access to foreign exchange is unlimited. There is no requirement that the share of foreign equity be reduced over time. The Government does not impose conditions on investment such as locating in a specific geographical area, a specific percentage of local content or local equity, substitution for imports, export requirements or targets, or financing only by local sources. Investors are not required to disclose proprietary information to the Saudi Government as part of the regulatory approval process.

The Saudi Government is currently considering changes to the Foreign Capital Investment Code. There are reports that the revised regulations will include new performance requirements, but no details have been made public.

#### Transparency of Regulatory System

There are few aspects of the Saudi Government's regulatory system, which are transparent, although Saudi investment policy tends to be less opaque than many other areas. Saudi tax and labor laws and policies tend to favor high-tech transfers and the employment of Saudis, rather than fostering competition. Saudi health and safety laws and policies are not used to distort or impede the efficient mobilization and allocation of investments. Bureaucratic procedures are cumbersome, but red tape can generally be overcome with persistence.

#### Corruption

Saudi Arabia has some, albeit limited, laws aimed at limiting corruption. For example, the agency law limits a Saudi agent's commission to five percent of the value of a contract. Ministers and other senior Government officials appointed by royal decree are forbidden from engaging in business activities with their Ministry or Government organization while employed there. There are extremely few cases of prominent citizens or Government officials tried on corruption charges.

U.S. firms have identified corruption as an obstacle to investment in Saudi Arabia. Government procurement is an area often cited, as is de facto protection of businesses in which senior officials or elite

individuals have a stake. Bribes, often disguised as "commissions" are reputed to be commonplace. Giving or accepting a bribe is not considered a criminal act under Saudi Arabian law.

#### Labor

The Ministry of Labor and Social Affairs and the Ministry of Interior regulate recruitment of expatriate labor. In general, the Government encourages the recruitment of Muslim workers, either from Muslim countries or from countries such as India and Sri Lanka with sizable Muslim populations. The largest groups of foreign workers now come from Pakistan, the Philippines, India, and Egypt.

Westerners compose less than two percent of the labor force, and the percentage is slowly dropping as they are replaced by Saudis and less expensive expatriates from Third World countries.

Since September 1994, the Ministry of Labor and Social Affairs has been required to certify that there are no qualified Saudis for a particular job before it can be filled by an expatriate worker. In addition, the Ministry of Interior must approve all transfers of expatriate workers from one firm to another. On the other hand, bloc visas are normally available for unskilled and some skilled workers recruited abroad.

Saudi labor law forbids union activity, strikes, and collective bargaining. However, there is no forced or compulsory labor; any required overtime, over and above the usual five and one-half to six-day week, is compensated normally at time-and-a-half rates. The minimum age for employment is 14. The Saudi Government does not adhere to the International Labor Organization Convention protecting workers' rights. Saudis generally prefer to invest in labor-saving technology rather than utilize foreign labor when given the choice.

#### Efficient Capital Markets and Portfolio Investment

Financial policies generally facilitate the free flow of private capital. Currency can be transferred in and out of Saudi Arabia with no restriction.

Credit is widely available to both Saudi and foreign entities from the commercial banks and is allocated on market terms. Credit is also available from several Government credit institutions, such as the Saudi Industrial Development Fund, which allocates credit based on Government-set criteria rather than market conditions.

The banking system, consisting of 11 commercial banks (soon to be 10 after a merger), nine of which are joint ventures with Western banks, is sound. However, strengths of individual banks vary. The legal, regulatory, and accounting systems practiced in the banking sector are generally transparent and consistent with Western norms.

The Saudi Arabian Monetary Agency (SAMA), which oversees and regulates the banking system, generally gets high marks for its prudential oversight of the commercial banks in Saudi Arabia. SAMA is the only Middle Eastern central bank that has been invited to be a member and

shareholder of the Bank for International Settlements in Basel, Switzerland.

There is an effective, if nascent, regulatory system governing portfolio investment in Saudi Arabia. Saudi Arabia has a small and thinly traded stock market established in 1985. At the start of 1998, total market capitalization stood at about \$60 billion, but fell sharply in 1998 due to a general market decline. Only long buying of shares is allowed. There is no short selling, buying or selling of options or any other derivative products, primary or secondary market for corporate bonds, or secondary market for Government bonds.

Until recently, only Saudis could buy and sell shares on the stock market. SAMA, which also regulates the stock market, in early 1997 gave permission to the Saudi-American Bank to establish a closed end mutual fund of Saudi stocks to foreigners. The fund, named the Saudi Arabia Investment Fund (SAIF), is dollar-based and sold through the London exchange.

#### Conversion and Transfer Policies

There are no restrictions on converting or transferring funds associated with an investment (including remittances of investment capital, earnings, loan repayments, and lease payments) into a freely usable currency and at a legal market clearing rate. There have been no recent changes, nor are there plans to change remittance policies. There are no delays in effect for remitting investment returns such as dividends, return of capital, interest and principal on private foreign debt, lease payments, royalties and management fees through normal legal channels. There is no need for a legal parallel market for investor remittances.

There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property, imported inputs, etc. There is, however, a heavy tax (up to 45 percent) on corporate profits and capital gains of the foreign partner in a joint venture.

Since 1986, when the last devaluation occurred, the official exchange rate has been 3.740 Saudi Riyals per U.S. dollar. Transactions occur using rates very close to the official rate. The Saudi Arabian Monetary Agency (SAMA) has intervened at times to keep the exchange rate fixed.

#### Expropriation and Compensation

The Embassy is not aware of the Saudi Government ever expropriating property. There have been no expropriatory actions in the recent past or policy shifts that would lead the Embassy to believe there may be such actions in the near future.

#### Dispute Settlement, Including Enforcement of Foreign Arbitral Awards

Saudi commercial law is still developing, but the Saudis have recently taken positive steps such as joining the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Dispute settlement in Saudi Arabia continues to be time-consuming and



uncertain. Even after a decision is reached in a dispute, effective enforcement of the judgment can still take years.

The Embassy suggests that American firms investing in Saudi Arabia include in contracts a foreign arbitration clause; but such clauses are not allowed in Government contracts without a decision by the Saudi Council of Ministers.

Saudi litigants have an advantage over foreign parties in almost any investment dispute, because of their first-hand knowledge of Saudi law and culture and the relatively amorphous dispute settlement processes. Foreign partners involved in a dispute find it advisable to hire local attorneys with knowledge of Saudi legal practices. Many Saudi attorneys, in turn, retain non-Saudi (and particularly American) lawyers to facilitate the handling of disputes involving foreign investors.

In several cases, disputes have caused serious problems for foreign investors. For instance, Saudi partners have blocked foreigners' access to exit visas, forcing them to remain in Saudi Arabia against their will. In cases of alleged fraud, foreign partners may also be jailed to prevent their departure from the country while awaiting police investigation or adjudication of the case. Courts can impose precautionary restraint of personal property pending the adjudication of a commercial dispute, according to Royal Decree No. M/4 of October 2, 1989. This decree has diminished the incentive for individuals to physically detain foreign partners pending the resolution of commercial disputes. Thus, it is very important that foreign investors take steps to protect themselves, by thoroughly researching the business record of the proposed Saudi partner, retaining legal counsel, complying scrupulously with all legal steps in the investment process, and securing a well-drafted agreement.

There have been few investment disputes in recent years involving American or other foreign investors or contractors in Saudi Arabia. A common phenomenon of the early 1990s was that the Government, due to fiscal constraints, fell in arrears on payments to private contractors, both Saudi and foreign. Some companies carried Saudi Government receivables without being paid for years.

The problem was eased considerably in 1996 with large Government payments, and the Government appears committed to clearing remaining arrears, although in some cases this will likely take several years. In the current tight fiscal environment, which started in 1998, some contractors are being paid in bonds instead of cash. Some contractors then sell these bonds at a discount to local banks.

The Saudi Arabian legal system is derived from the legal rules of Islam, known as the Shari'a. The Ministry of Justice oversees the Shari'a-based judicial system, but most ministries have committees to rule on matters under their jurisdiction. The Board of Grievances generally speaking has jurisdiction over disputes with the Government and commercial disputes.

Of principal interest to investors who have disputes with private individuals are the Committees for Labor Disputes (under the Ministry of Labor, see below), and the Committee for Tax Matters (under the

Negotiable Instruments Committee, also called the Commercial Paper Committee). The Ministry of Finance has jurisdiction over disputes involving letters of credit and checks, while the Banking Disputes Committee of the Saudi Arabian Monetary Agency (SAMA) adjudicates disputes between bankers and their clients. Judgments of a foreign court are not yet accepted and enforced by the local courts, but the Saudis' signature of the New York Convention may change this. Monetary judgments are based on the terms of the contract; i.e., if the contract is in dollars, the judgment would be in dollars; if unspecified, the judgment is denominated in Saudi riyals.

Saudi Arabia has a written commercial law that is generally applied consistently. The country has a written bankruptcy law that was enacted by Royal Decree No. N/16 dated 4/9/1416 H (1/24/96). Articles contained in the law allow debtors to conclude financial settlements with their creditors through committees under the Saudi Chambers of Commerce and Industry or through the Board of Grievances. Designated as the Regulation on Bankruptcy Protective Settlement, the law is open to ordinary creditors except in the case of debts of expenditures, privileged debts and debts which arise pursuant to the settlement procedures. In mid-June 1994, Saudi Arabia deposited Articles of Acceptance to the New York Convention of 1958 on the recognition and enforcement of foreign arbitral awards. Saudi Arabia is a member of the International Center for the Settlement of Investment Disputes (ICSID--also known as the Washington Convention).

Since 1996, Saudi Arabia has actively pursued its application for accession to the WTO.

#### Political Violence

On November 13, 1995, a truck bomb was detonated outside a U.S. military training headquarters in Riyadh, killing seven people, including five Americans. The bombing was the first act of political violence in Saudi Arabia in over a decade and the first terrorist incident to have specifically targeted foreigners. The four Saudi nationals who were apprehended and executed for the terrorist attack claimed to be avenging the Government's alleged incomplete application of Islamic law and principles. The attack was roundly condemned by the Government, the religious establishment, and the populace.

In June 1996, a U.S. military housing facility was bombed in Al-Khobar in the Eastern Province killing 19 Americans and wounding more than 100. Since these two bombings, security has been heightened at official U.S. installations, residential compounds, and schools; and the U.S. Embassy, working closely with Saudi security organizations, periodically advises American citizens of potential security concerns.

Other than the above events, Saudi Arabia has not been subject to civil disturbances or political insurrections in recent years.

#### Bilateral Investment Agreements

The Saudi Government appears to be moving forward in its pursuit of bilateral investment agreements. Saudi Arabia presently has a bilateral agreement with France and is in the process of negotiating one with Italy. Negotiations on bilateral agreements are likely to take place with some other European countries. There is no bilateral

investment treaty in force between the United States and Saudi Arabia. Gulf Cooperation Council (GCC) countries and their nationals receive favorable investment treatment derived from GCC agreements.

#### OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) no longer provides coverage in Saudi Arabia. In 1995, OPIC removed Saudi Arabia from its list of countries approved for OPIC coverage because of the failure of Saudi Arabia to take steps to comply with internationally recognized labor standards. Details on OPIC programs and coverage can be obtained by calling (202) 336-8575 in Washington. The U.S. Export-Import Bank provides a limited amount of financing and political risk insurance in Saudi Arabia.

#### Capital Outflow Policy Guidelines

There are virtually no exchange restrictions in Saudi Arabia, and no controls on receipts or payments for current transactions by either residents or nonresidents. In addition, there are no restrictions on the movement and repatriation of capital, nor on derived profits from local investments.

#### Major Foreign Investors

U.S.A., Japan, United Kingdom, Switzerland, France, Germany.

#### Contact Information for Investment-Related Inquiries

Ministry of Industry and Electricity  
Deputy Ministry for Industrial Affairs  
Foreign Capital Investment Committee  
Contact: Dr. Ahmad Mohammad Al-Fadly, Secretary General  
P.O. Box 5729, Riyadh 11127, Saudi Arabia  
Phone: (966 1) 477-5485, Fax: (966 1) 477-3973

### VIII. TRADE AND PROJECT FINANCING

#### Brief Description of Banking System

The Saudi Arabian Monetary Agency (SAMA), the Saudi central bank, regulates and controls the Saudi banking sector. Financing is available to Saudi and non-Saudi businessmen and entities. Offshore banking and trust operations do not exist in Saudi Arabia, and there is no legislation that permits the establishment of these operations.

The securities market is still not highly developed, but continues to mature. Banks are the sole entities that may act as stockbrokers for publicly traded shares or for joint stock companies. The most significant recent development is SAMA's approval to allow foreigners to buy and trade shares of Saudi companies within a closed-end fund listed in the United Kingdom.

The major news in the banking sector was the announcement in January 1999 of a proposed merger between Saudi American Bank (SAMBA) and Prince Al-Waleed bin Talal's United Saudi Bank (USB), a merger that was finalized on July 4, 1999. USB was itself the product of a merger in

1997 between United Saudi Commercial Bank and Saudi Cairo Bank. Prince Al-Waleed also has a major stake in Citibank, which owns 30 percent of SAMBA. In a separate development, the six Gulf Cooperation Council members decided to permit their banks to operate in one another's territories. Pending WTO membership could lead to expanded foreign activity in the banking sector.

The profits of all but one of Saudi Arabia's 11 commercial banks rose in 1998. Collectively, the 10 banks that have released data earned \$1.63 billion in net profits in 1998, up 10 percent from the \$1.48 billion they earned in 1997. For the fourth year in a row, the Al-Rajhi Banking and Investment Corporation had the highest net profits at \$376 million. At the end of 1998, the cumulative size of the banks' balance sheets had grown by 6 percent over year-end 1997 to about \$108 billion. The net foreign assets of the commercial banks stood at \$11.4 billion at year-end 1998, marking a 20 percent decrease from the year-end 1997 level of \$14.3 billion. Commercial banks will probably continue to repatriate foreign assets to lend domestically. Eight of the commercial banks are joint venture banks. The major foreign partners in the Saudi joint venture banks are Citibank, Arab Bank Ltd., Banque Indosuez, HSBC Holdings, and ABN Amro.

Commercial banks operating in Saudi Arabia ranked by total assets:

The National Commercial Bank  
 Riyadh Bank  
 Saudi American Bank  
 Al-Rajhi Banking and Investment Corporation  
 Saudi British Bank  
 Arab National Bank  
 Saudi French Bank  
 United Saudi Bank (To be merged with SAMBA)  
 Saudi Hollandi Bank  
 Saudi Investment Bank  
 Bank Al-Jazira

#### Foreign Exchange Controls Affecting Trading

Saudi Arabia imposes no foreign exchange restrictions on capital receipts or payments by residents or nonresidents, beyond a prohibition against transactions with Israel. Although officially linked to the IMF's Special Drawing Rights, Saudi Arabia in practice pegs its currency, the riyal, to the U.S. dollar.

Saudi Arabia last devalued the riyal in June 1986 when it set the official selling rate at SR 3.7400 = \$1. The Saudi Arabian Monetary Agency and all residents may freely and without license buy, hold, sell, import, and export gold, with the exception of gold of 14 karats or less.

#### General Financing Availability and Terms of Payment

Saudi policies facilitate the free flow of financial resources. Credit from the commercial banks is allocated on market terms, and foreign investors can obtain credit on the local market. The private sector has access to a variety of credit instruments.

Soft financing is available from specialized credit institutions: the Saudi Agricultural Bank, the Saudi Credit Bank, the Public Investment Fund, the Saudi Industrial Development Fund, and the Real Estate Development Fund. The Saudi banking system is well capitalized and well provisioned. The Embassy is not aware of any "cross-shareholding" or "stable shareholder" arrangements being used by private firms to restrict foreign investment through mergers and acquisitions.

Nor is the Embassy aware of any laws or regulations that specifically authorize private firms to adopt articles of incorporation/association which limit or prohibit foreign investment, participation, or control. Foreign participation in the Saudi Arabian Standards Organization (SASO) is not possible, although a number of foreign advisors from OECD countries assist and provide counsel to SASO.

#### Types of Export Financing and Insurance Available to U.S. Exporters, Including Bilateral, Multilateral and Local Sources

The U.S. Export-Import Bank and other U.S. export credit agencies have been involved in Saudi Arabia supporting trade with private Saudi companies. The Government of Saudi Arabia may use the facilities of these export credit agencies to support major infrastructure projects.

The Islamic Development Bank fosters the economic development and social progress of member countries and Muslim communities. It participates in equity capital and grants loans for productive projects and enterprises, besides providing financial assistance to member countries in other forms for economic and social development.

#### Types of Project Financing Available, Including Facilities Available from Multilateral Institutions and Types of Projects Supported

Project financing is available in the Kingdom from longer-term loans by the local commercial banks and Saudi specialized credit institutions such as the Saudi Industrial Development Fund or the Public Investment Fund.

The Saudi Government does not receive project financing from multilateral institutions such as the World Bank. The Saudi Government has arranged local financing for a turnkey contract for the Shuaiba electric power plant; the Al-Rajhi Banking & Investment Corporation will finance the \$835 million project through an Islamic "istisnaa" model. The U.S. Export-Import Bank has not, so far, engaged in any project finance activities in Saudi Arabia.

#### List of Banks with Correspondent U.S. Banking Arrangement

Because of their ownership structure, Saudi American Bank (Citibank) and Saudi Investment Bank (Chase Manhattan) have direct correspondent relationships with U.S. banks. The Embassy assumes that the other Saudi banks also have correspondent relationships with the U.S.

institutions, whether the home office in the United States or branches in Europe or Bahrain.

## IX. BUSINESS TRAVEL

### Business Customs

The official language of Saudi Arabia is Arabic, but English is widely used in business and on signs and notices, making it easy for the non-Arabic speaker to live and work in the Kingdom. Modern Saudi Arabia has adopted many of the business methods and styles of the West, but some differences remain. Most important is that business will only be conducted after a degree of trust and familiarity have been established. Considerable time may be spent exchanging courtesies, and several visits may be needed to secure business. Business visitors should arrange their itineraries to allow for long meetings, as traditional Saudis often maintain an "open office" in which they will sign papers, take telephone calls, and converse with friends or colleagues who drop by. Tea, soft drinks, and traditional Saudi coffee are usually offered. One to three cups of Saudi coffee should be taken for politeness, after which the cup should be wiggled between thumb and forefinger when returning it to the server to indicate that you have finished.

Many Saudi businessmen have been educated or have traveled extensively in the West and are sophisticated in dealing with Americans. For the most part travelers can rely on the usual Western manners and standards of politeness to see them through, with a few additional rules that may be observed. One should eat with the right hand and avoid sitting at any time with the sole of the foot pointed at the host or other guest. It may be discourteous to ask about a man's wife or daughters; ask instead about his family. Shoes are sometimes removed before entering a Saudi Majlis (living room). If you are invited to the home of a Saudi for a party or reception, a meal is normally served at the end of the evening, and guests will not linger long after finishing. Customs and manners differ, so be observant and adapt your behavior to that of your host.

Saudi Arabia is a Muslim country that requires strict adherence to Islamic principles. Five times a day Muslims are obliged to pray in the direction of the holy city, Makkah. The prayer times are published in the newspaper and come at dawn, noon, afternoon, sunset, and evening. Stores and restaurants close for approximately one-half hour at these times. When staging promotional events or product demonstrations, one must anticipate these prayer breaks.

Dress is conservative for both men and women. Men should not wear shorts or tank tops, while women are advised to wear loose-fitting and concealing clothing with long skirts, elbow-length sleeves, and modest necklines. There is strict gender separation in the Kingdom and restaurants maintain separate sections for single men and families. Wives are often excluded from social gatherings or are entertained separately.

### Travel Advisories and Visas

Besides alcohol products and illicit drugs, Saudi Arabia also prohibits the import, use, or possession of any item that is held to be contrary to the tenets of Islam. This includes non-Islamic religious materials, pork products and pornography. Saudi customs and postal officials widely define what is contrary to Islam, and therefore prohibited. Christmas decorations, fashion magazines, and "suggestive" videos may be confiscated and the owner subject to other penalties and fines. The private ownership of weapons is prohibited. Imported and domestic audiovisual media and reading matter are censored. It is advisable to carry prescription drugs in their original labeled containers. It is advisable to contact the Embassy of Saudi Arabia in Washington or one of Saudi Arabia's consulates in the United States for specific information regarding customs requirements.

Photography of sensitive installations such as airports, seaports, oil and petrochemical facilities, and military bases is prohibited, as is photography that constitutes an invasion of privacy. Theft or street crime is not a serious problem in Saudi Arabia, but normal precautions should be taken.

#### Entry Requirements

Passports valid for at least six months and visas are required for entry. Single entry visas for business and work, to visit close relatives, and for transit and religious visits, are the only visas available for Americans, although discussions continue for a two-year multiple entry visa to be issued on a reciprocal basis. Airport visas are not available. Visas are required for persons on vessels calling at all ports. All visas require a sponsor, can take several months to process, and must be obtained prior to arrival. Female travelers must be met by their sponsor upon arrival.

Expatriate residents working in Saudi Arabia generally must surrender their passports while in the Kingdom. The sponsor (normally the employer) obtains a work and residence permit for the employee and for any family members. Family members of those working are not required by law to surrender their passports, though they often do. Residents carry a Saudi residence permit (Iqama) for identification in place of their passports. The U.S. Embassy and Consulates General cannot sponsor private American citizens for Saudi visas.

Foreign residents traveling within the Kingdom, even between towns in the same province, carry travel letters issued by employers and authenticated by an immigration official or a chamber of commerce office. Police at all airports and internal roadblocks routinely arrest and imprison violators.

Visitors to Saudi Arabia generally obtain a meningitis vaccination prior to arrival. A medical report, including an AIDS test, is required to obtain a work and residence permit. This includes a medical certification. For further information on entry requirements, travelers may contact the following Saudi Government offices in the U.S.:

- Royal Embassy of Saudi Arabia  
601 New Hampshire Ave., N.W.  
Washington, DC 20037

Telephone (202) 333-2740, Fax: (202) 944-3140  
 Internet Address: <http://www.saudi.net>.

- Saudi Consulate General in New York  
 866 United Nations Plaza, Suite 480  
 New York, NY 10017  
 Telephone (212) 752-2740, Fax: (212) 688-2719

- Saudi Consulate General in Houston  
 5718 Westheimer, Suite 1500  
 Houston, TX 77057  
 Telephone (713) 785-5577, Fax: (713) 785-1163

- Saudi Consulate General in Los Angeles  
 Sawtelle Courtyard Building  
 2045 Sawtelle Blvd.  
 Los Angeles, CA 90025  
 Telephone (310) 479-6000/914-9011, Fax: (310) 479-2752

Visitor visas are currently single entry and allow for a maximum 90-day stay. However, Saudi authorities may soon agree to issue multi-year, multiple-entry visas on the basis of reciprocity. Under present rules, to obtain a visitor's visa for business purposes, each U.S. company representative must have a letter of invitation from the Saudi sponsor. This letter must be in Arabic, the U.S. applicant must have the original copy (no faxes allowed), the letter must be on the Saudi company letterhead, and must bear an authenticating stamp of the local Saudi Chamber of Commerce. The visa applicant must apply for and receive the visa prior to departing the United States at either the Saudi Embassy in Washington or at Saudi Consulates in Houston, Los Angeles, or New York City.

The letter should name the visa applicant, passport number, company name and address, approximate dates of visit, and reason for visit (e.g. business meetings). The U.S. visa applicant may hold the letter for up to 60 days prior to making application. It is further recommended that the U.S. applicant's company use the company's letterhead when requesting the Saudi Embassy's/Consulates' cooperation in issuing the visa. Once the visa is stamped on the passport, it must be used or officially canceled before a subsequent visa will be issued.

The visa may be extended at the discretion of the Saudi Embassy or Consulate prior to the expiration date. Occasionally, the Saudi consular officer may require the applicant to obtain the visa through a more time-consuming process involving approval by the Saudi Foreign Ministry. These procedures are well-known in the Kingdom and will be handled by the Saudi sponsor. Women traveling alone, Americans of Arab origin, and private consultants are often required to use this process. Resident visas also are available through a separate process.

If the U.S. applicant does not have a Saudi sponsor, the U.S.-Saudi Business Council may be able to assist (Tel: 202-638-1212). U.S. Commercial Service offices also can advise on how to make initial contacts with potential sponsors, but cannot arrange visas for unofficial business travelers.



### Exit Permission

Residents in Saudi Arabia may not depart the country without obtaining an exit permit prior to leaving and an exit/reentry permit if they intend to return to Saudi Arabia. One-time visitors on a single entry visa do not need an exit permit. The Saudi sponsor's approval is required for these permits. A married woman residing in Saudi Arabia with her husband must have her husband's approval to receive an exit permit. The father must approve the departure of any children. The U.S. Embassy and Consulates General cannot sponsor private U.S. citizens for an exit permit under any circumstances. There is an airport departure fee of Sr. 50 (\$13.30) per traveler.

Flight crew members, infants (under the age of 2), Hajj and Umrah passengers, and passengers in transit less than 24 hours are exempt from paying this fee. The fee is payable to the travel agent through which the ticket is booked, through the airline issuing the ticket or at the airport before going to the immigration counter.

### Safety/Security

The U.S. Government continues to assist Saudi authorities in their investigations of the 1995 and 1996 bombings of U.S. military installations in Saudi Arabia.

The U.S. Embassy continues to receive reports that suggest terrorist action against U.S. interests in Saudi Arabia remains a possibility. Because of continuing security concerns, the U.S. Embassy, Consulates General, and the U.S. military elements throughout the country have reviewed their security postures and made improvements wherever possible to lessen their vulnerabilities. The Embassy strongly encourages all Americans resident in Saudi Arabia to likewise take appropriate steps to increase their security awareness and lessen their vulnerability.

The private American community should continue to exercise caution in matters concerning personal security. Americans should maintain a low profile, vary travel routes and times for all required travel, and treat any mail from unfamiliar sources with suspicion. In addition, it is imperative that any suspicious activity, individuals, or vehicles be reported to the U.S. Embassy or nearest Consulate. License numbers of vehicles and descriptions of individuals are extremely helpful for follow up. Saudi Arabian officials continue to cooperate closely with the Embassy to ensure the safety of all Americans.

The American Embassy and Consulates in Saudi Arabia inform the resident American community of security matters through a communication system known as the warden FaxNet. Persons who are residing in the Kingdom should contact the U.S. Embassy or the Consulates for information on their warden contacts. Americans arriving in Saudi Arabia are encouraged to register at the U.S. Embassy or Consulates and to obtain the most current security information.

### Criminal Penalties

While in a foreign country, a U.S. citizen is subject to that country's laws and regulations, which sometimes differ significantly from those

in the United States and may not afford the protections available to the individual under U.S. law. Penalties for breaking the law can be more severe than in the United States for similar offenses. Persons violating Saudi Arabia's laws, even unknowingly, may be expelled, arrested or imprisoned. In Saudi Arabia, penalties for the import, manufacture, possession, and consumption of alcohol or illegal drugs are severe. Convicted offenders can expect jail sentences, fines, public flogging, and/or deportation. The penalty for drug trafficking in Saudi Arabia is death. Saudi officials make no exceptions. Customs inspections at ports of entry are thorough. U.S. citizens are subject to the full force of Saudi law as well as that of any country in which they are traveling or residing. The U.S. Embassy and Consulates General have no standing in Saudi courts to obtain leniency for an American convicted of alcohol or drug offenses.

#### Contacting the American Embassy and Consulates

Americans arriving in Saudi Arabia are encouraged to register at the Embassy or Consulates and obtain the most current security information. The Embassy in Riyadh is located at Collector Road M, Riyadh Diplomatic Quarter.

The international mailing address is: P.O. Box 94309, Riyadh 11693, Saudi Arabia. The APO address is: American Embassy, Unit 61307, APO AE 09803-1307.

The Embassy telephone number is (966)(1) 488-3800; the fax number is (966)(1) 488-7275.

The Consulate General in Jeddah is located on Palestine Road, Ruwais. The international mailing address is: P.O. Box 149, Jeddah 21411, Saudi Arabia. The APO address is: Unit 62112, APO AE 09811-2112. The telephone number is (966)(2) 667-0080; the fax number is (966) (2) 669-3078.

The Consulate General in Dhahran is located between Aramco headquarters and Dhahran International Airport. The international mailing address is: P.O. Box 81, Dhahran Airport 31932, Saudi Arabia. The APO address is: Unit 66803, APO AE 09858-6803. The telephone number is (966)(3) 891-3200; the fax number is (966)(3) 891-6816.

#### Holidays

There are two Islamic religious holidays around which most businesses close for at least three working days and all Government offices close for a longer period. During these holidays, it is very difficult to make contacts and transact business.

The Eid al-Fitr holiday occurs at the end of the holy month of Ramadan (month of fasting). Eid al-Adha celebrates the time of year when pilgrims arrive from around the world to perform the Hajj. Their timing is governed by the Islamic lunar calendar. In the year 2000, the Eid al-Fitr holiday will begin on or about January 9 and the Eid al-Adha holiday on or about March 19.

Business travel to the Kingdom during the holy month of Ramadan is also best avoided. During Ramadan devout Muslims abstain from food and drink during daylight hours. Office hours are shortened and shifted to

the evening, and people may be affected by the fasting and customary late night social gatherings.

During Ramadan business travelers should not drink, eat, or smoke in public during daylight or in the presence of fasting Muslims. Hotels offer special daytime food services for their non-Muslim guests. In the year 2000, Ramadan will start on or about December 8, 1999 and end on or about January 8, 2000. The Saudi national day is celebrated September 22. Almost all businesses and Government offices remain open on this day, with the notable exception of Saudi Aramco.

#### Work Week

Business hours vary in different parts of the country. Saudi companies usually close for two hours in the afternoon and remain open through the early evening. Retail stores close for the noon prayer and reopen around 4:00 P.M.

The normal work week runs from Saturday through Wednesday with many companies also requiring a half or full day on Thursday. Friday is the Muslim holy day.

Work Week:	a. U.S. Embassy:	8:00 - 17:00 Sat. thru Wed.
	b. Government:	8:00 - 14:30 Sat. thru Wed.
	c. Banks:	9:00 - 12:00 and
		17:00 - 19:00 Sat. thru Wed.
		9:00 - 12:00 Thursdays.
	d. Businesses:	8:00 - 12:00 and
		16:00 - 20:00 Sat. thru Wed.
		8:00 - 13:00 Thursdays.

#### Business Infrastructure

The business centers of Riyadh, Jeddah, and Dammam/Al-Khobar/Dhahran each have an international airport served by a variety of international airlines. Air travel is preferred for inter-Kingdom travel with public service restricted to the sole national airline, Saudia.

The Kingdom has a good highway system and rental cars and taxis/limousines are available at all airports; driving is U.S.-style, on the right. One rail line carries passengers and freight between Dammam and Riyadh. Jeddah and Dammam are the main international seaports for moving containerized and bulk cargo.

Modern communication facilities are available including telephone, fax, telex, and courier services. U.S. database log-on is available through a PTT Ministry trunk line service, Al-Waseet. In addition, a number of agreements have already been signed between various U.S. Internet service providers and Saudi companies to launch the service in Saudi Arabia. Use of private satellite communication transponders is not allowed. Facsimile machines are heavily utilized in the conduct of business. A cellular phone system based on the GSM standard is operational, while radiophones are restricted.

The Government is embarking on a large-scale telecommunications upgrade program, and the shortage is expected to be resolved by the end of

2002. Internet service is now available through a dozen service providers.

Four and five star hotel accommodations are readily available in the major business centers, and many of the better restaurants are located in the hotels. There are many excellent restaurants in the three major population centers. Well-known American fast food restaurants are also very popular. The food reflects the diversity of the country's expatriate population and generally can be considered safe. Use of bottled water is preferred although most tap water is potable in the major cities. Supermarkets are well stocked with Western products.

Housing for expatriate employees residing in the Kingdom is usually provided by the employer or through a housing allowance given to the employee. The major cities offer a wide variety of houses and apartments for rents considered high by U.S. metropolitan standards.

Most Western expatriates live in housing compounds that provide additional services such as cable television, recreation facilities, child care, limousine services for women (who are not allowed to drive in the Kingdom), and security.

The quality of health care is variable, ranging from excellent to poor depending on the region, hospital, and specialty. Most Western expatriates find it adequate for routine care and minor surgery. Only a few drugs available in the U.S. may not be available in Saudi Arabia. There is a good network of private American schools serving communities with a high concentration of U.S. expatriates, including all the major business and industrial centers. In 1998, the Ministry of Education approved new rules and regulations pertaining to the licensing and operation of international schools. The new guidelines will permit foreign schools to be set up based on pre-approved curriculum. Contrary to a previous ruling, these schools will be allowed to enroll students up to Grade 11.

#### Temporary Entry of Goods

Temporary entry of goods is allowed provided that a guarantee of 12 or 20 percent of the value of the goods is deposited with Saudi Customs. A document and/or a participation agreement is needed to ascertain that the owner of the goods is officially participating in a trade show. If the goods are meant for demonstration purposes to a Government entity, a letter from that entity is required indicating the nature and purpose of the goods. The deposit will be reimbursed after Saudi Customs attests that the goods have left the Kingdom. Reimbursement may take somewhere between two to four weeks.

U.S. business travelers are encouraged to obtain a copy of the "key officers of foreign service posts: Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; Tel. (202) 512-1800; Fax. (202) 512-2250. Business travelers to Saudi Arabia seeking appointments with U.S. Embassy Riyadh officials should contact the Commercial Section in advance. The Commercial Section can be reached by Telephone at (966 1) 488-3800 ext. 1527/1516, fax at (966 1) 488-3237, or E-mail at Oriyadh@mail.doc.gov

#### X. ECONOMIC AND TRADE STATISTICS

## Appendix A: Country Data

Population (1999, estimates): 20.2 million

Total Population Growth Rate: 2.7%

Saudi Population Growth Rate: 3.4%

Religion: Islam

Government: Monarchy headed by King Fahd, a Council of Ministers appointed by the King, and a Consultative Council.

Languages: Official language is Arabic but English is widely used in business and Government.

## Appendix B: Domestic Economy (US\$ millions, except as noted)

	1997	1998
1999(E)_		
- GDP (current, US\$ Billions)	146.0	130.1
131.4		
- GDP growth rate (percent)	7.1	-10.8
1.0		
- GDP per capita	7600.0	6600.0
6500.0		
- Government spending (percent of GDP)	24.0	24.0
- Inflation (per cent)	-0.4	-0.2
1-2		
- Unemployment (percent)	n.a.	n.a.
n.a.		
- Net Foreign Assets Managed by SAMA_	59.1	53.1
47.0		
- Average exchange rate for \$1.00	3.75	3.75
3.75		
- Debt service ratio (ratio of principal and interest payments on foreign debt to foreign income)	0.0	0.0
0.0		
- U.S. economic/military assistance	0.0	0.0
0.0		

\_Embassy Forecasts.

\_Excludes approximately \$29 billion in foreign assets held by autonomous Government institutions.

## Appendix C: Trade (US\$ millions, except where noted)

	1997	1998(E)	1999(E)
- Total country exports (US\$ Billions)	61.6		51.7
n.a.			
- Total country imports (US\$ Billions)	40.8		40.3
n.a.			
- U.S. exports (US\$ Billions)	8.4		10.5
n.a.			
- U.S. imports (US\$ Billions)	10.1		7.2
n.a.			

## Appendix D: Investment (US\$ millions, except where noted)

	1997(E)	1998(E)
1999		

- Total foreign direct investment (US\$ billions)	15.0	n.a.
n.a.		
- U.S. direct investment (US\$ billions)	7.0	8.0
n.a.		
- Percent share of total foreign investment (percent)	46.7	n.a.
n.a.		
- Principal foreign investors		
U.S.A., Japan, United Kingdom, Switzerland, France, and Germany		
Source : Ministry of Finance and National Economy; Saudi Arabian Monetary Agency (SAMA); International Monetary Fund; Department of Commerce; CS estimates; Ministry of Industry & Electricity.		

#### Appendix E: U.S. and Country Contacts

##### U.S. Embassy Trade Personnel

1) U.S. Embassy  
Commercial Service (CS) - Riyadh  
Contacts: Charles Kestenbaum, Senior Commercial Officer  
Virginia Morris, Deputy Senior Commercial Officer  
Vacant, Commercial Officer  
Edward Wunder, Standards Representative  
Unit 61307  
APO AE 09803-1307  
Phone: 966-1-488-3800, Fax: 966-1-488-3237

2) U.S. Consulate General  
CS - Jeddah  
Contact: Geoffrey Walser, Principal Commercial Officer  
Unit 62112  
APO AE 09811-2112  
Phone: 966-2-698-3779, Fax: 966-2-698-3809

3) U.S. Consulate General  
CS - Dhahran  
Contact: Nasir Abbasi, Principal Commercial Officer  
Unit 66803  
APO AE 09858-6803  
Phone: 966-3-891-3200, Fax: 966-3-891-8332

4) U.S. Embassy Riyadh  
Agricultural Trade Office  
Contact: John Wilson, Agricultural Trade Officer  
Phone: 966-1-488-3800, Fax: 966-1-482-4364

5) U.S. Embassy Riyadh  
Economic Section  
Contact: John Moran, Counselor for Economic Affairs  
Phone: 966-1-488-3800, Fax: 966-1-488-3278

##### Saudi Embassy and Consulates in the U.S.

1) Royal Embassy of Saudi Arabia  
601 New Hampshire Ave., N.W.

Washington, D.C. 20037  
 Phone: (202) 333-2740, Fax: (202) 944-3140

2) Saudi Consulate General in New York  
 866 United Nations Plaza, Suite 480  
 New York, NY 10017  
 Phone: (212) 752-2740, Fax: (212) 688-2719

3) Saudi Consulate General in Houston  
 One Westheimer Plaza  
 5718 Westheimer, Suite 1500  
 Houston, TX 77057  
 Phone: (713) 785-5577, Fax: (713) 785-1163

4) Saudi Consulate General in Los Angeles  
 Sawtelle Courtyard Building  
 2045 Sawtelle Blvd.  
 Los Angeles, CA 90025  
 Phone: (310) 479-6000/914-9011, Fax: (310) 479-2752

#### U.S.-Based Multipliers Relevant for Country

1) U.S.-Saudi Arabian Business Council  
 1401 New York Ave., N.W., Suite 720  
 Washington, D.C. 20005  
 Phone: (202) 638-1212, Fax: (202) 638-2894

2) National U.S.-Arab Chamber of Commerce  
 1100 New York Ave., N.W.  
 East Tower, Suite 550  
 Washington, D.C. 20005  
 Phone: (202) 289-5920, Fax: (202) 289-5938

3) American Business Council of the Gulf Countries (ABCGC)  
 c/o Intercom International Consultants  
 1101 30th Street, NW, Suite 500  
 Washington, D.C. 20007  
 Phone: (202) 887-1887, Fax: (202) 887-1888

4) U.S.-Saudi Arabian Joint Commission Program Office  
 1401 New York Ave., N.W., Suite 700  
 Washington, D.C. 20005  
 Phone: (202) 879-4363, Fax: (202) 638-1224

5) Aramco  
 1667 K Street, N.W.  
 Washington, D.C. 20006  
 Phone: (202) 223-7750, Fax: (202) 223-7756

6) Aramco Services Company  
 P.O. Box 4534  
 Houston, TX 77210-4534  
 Phone: (713) 432-4000, Fax: (713) 432-8566

7) Saudi Petroleum International  
 527 Madison Ave.  
 22 & 23 Floors  
 New York, NY 10002  
 Phone: (212) 832-4044, Fax: (212) 446-9200

8) SABIC Americas, Inc.  
 2500 City West Blvd.,  
 Suite 650  
 Houston, TX 77042  
 Phone: (713) 532-4999, Fax: (713) 532-4994

9) Riyadh Bank  
 700 Louisiana  
 Suite 4770  
 Houston, TX 77002  
 Phone: (713) 224-8071, Fax: (713) 224-8072

10) Saudi International Bank  
 520 Madison Ave.  
 New York, NY 10022  
 Phone: (212) 355-6530, Fax: (212) 758-5360

#### Saudi Arabian Trade Associations/Chambers of Commerce

1) Council of Saudi Chambers of Commerce and Industry  
 Contact: Eng. Usama Mohammed Kurdi, Secretary General  
 P.O. Box 16683, Riyadh 11474, Saudi Arabia  
 Phone: (966 1) 405-3200, Fax: (966 1) 402-4747

2) Riyadh Chamber of Commerce and Industry  
 Contact: Mr. Hussein Al-Athel, Secretary General  
 P.O. Box 596, Riyadh 11421, Saudi Arabia  
 Phone: (966 1) 404-0044, Fax: (966 1) 402-1103

3) Jeddah Chamber of Commerce and Industry  
 Contact: Dr. Majid A. Al-Qusabi, Secretary General  
 P.O. Box 1264, Jeddah 21431, Saudi Arabia  
 Phone: (966 2) 651-5111, Fax: (966 2) 651-7373

4) Chamber of Commerce and Industry for the Eastern Province  
 Contact: Dr. Ibrahim Abdullah Al-Mutref, Secretary General, Ext. 4555  
 P.O. Box 719, Dammam 31421, Saudi Arabia  
 Phone: (966 3) 857-1111, Fax: (966 3) 857-0607

5) Federation of GCC Chambers  
 Contact: Mohammad Abdullah Al-Mulla, Secretary General  
 P.O. Box 2198, Dammam 31451, Saudi Arabia  
 Phone: (966 3) 826-5943/3792, Fax: (966 3) 826-6794  
 E-mail: fgccc@Zajil.net

6) American Businessmen's Group of Riyadh  
 P.O. Box 8273  
 Riyadh 11482, Saudi Arabia



Phone: (966 1) 478-2738/1652, Fax: (966 1) 476-4363

7) American Businessmen of Jeddah  
P.O. Box 8483  
Jeddah 21482, Saudi Arabia  
Phone: (966 2) 665-6359/652-1234, Fax: (966 2) 660-0389

8) American Business Association - Eastern Province  
P.O. Box 88  
Dhahran Airport 31932, Saudi Arabia  
Phone: (966 3) 874-2886, Fax: (966 3) 873-8883/857-8130

#### Saudi Arabian Government Agencies

1) Board of Grievances  
Contact: H.E. Sheikh Nasser Al-Rashed, President  
Riyadh 11138, Saudi Arabia  
Phone: (966 1) 402-1724, Fax: (966 1) 403-4296

2) Saudi Ports Authority  
Contact: H.E. Abdul Aziz Al-Manie, Minister of State, President  
P.O. Box 5162, Riyadh 11188, Saudi Arabia  
Phone: (966 1) 405-0005, Fax: (966 1) 405-3508

3) General Organization for Technical Education and Vocational Training  
Contact: H.E. Mohammad Suleiman Al-Dalaan, Governor  
P.O. Box 7823, Riyadh 11472, Saudi Arabia  
Phone: (966 1) 405-2770, Fax: (966 1) 406-5876

4) General Organization for Grain Silos and Flour Mills  
Contact: H.E. Saleh Mohammad Al-Suleiman, Director General  
P.O. Box 3402, Riyadh 11471, Saudi Arabia  
Phone: (966 1) 464-3500, Fax: (966 1) 463-1943

5) King Abdul Aziz City for Science and Technology  
Contact: H.E. Dr. Saleh Abdel Rahman Al-Athel, President  
P.O. Box 6086, Riyadh 11442, Saudi Arabia  
Phone: (966 1) 488-3555, Fax: (966 1) 488-3756

6) King Faisal Foundation  
Contact: HRH Prince Khalid Al-Faisal, Managing Director  
P.O. Box 352, Riyadh 11411, Saudi Arabia  
Phone: (966 1) 465-2255, Fax: (966 1) 465-6524

7) Ministry of Agriculture and Water  
Contact: H.E. Dr. Abdullah Abdul Rahman Al-Moaammar, Minister  
P.O. Box 2639, Riyadh 11195, Saudi Arabia  
Phone: (966 1) 401-2777/403-0030, Fax: (966 1) 404-4592

8) Ministry of Commerce  
Contact: H.E. Dr. Oussama Jaafar Faquih, Minister  
P.O. Box 1774, Riyadh 11162, Saudi Arabia  
Phone: (966 1) 401-2222, Fax: (966 1) 402-6640

- 9) Ministry of Communications  
Contact: H.E. Dr. Nasser Al-Salloum, Minister  
P.O. Box 3813, Riyadh 11178, Saudi Arabia  
Phone: (966 1) 404-3000/2928, Fax: (966 1) 403-1401
- 10) Ministry of Defense and Aviation  
Contact: HRH Prince Sultan Bin Abdul Aziz Al-Saud, Minister  
Riyadh 11165, Saudi Arabia  
Phone: (966 1) 478-9000/477-7313, Fax: (966 1) 406-2146
- 11) Ministry of Education  
Contact: H.E. Dr. Mohammad Bin Ahmad Al-Rasheed, Minister  
Riyadh 11148, Saudi Arabia  
Phone: (966 1) 404-2888, Fax: (966 1) 403-7229
- 12) Ministry of Finance and National Economy  
Contact: H.E. Dr. Ibrahim Al-Assaf, Minister  
P.O. Box 6902, Riyadh 11177, Saudi Arabia  
Phone: (966 1) 405-0080/0000, Fax: (966 1) 405-9202
- 13) Ministry of Foreign Affairs  
Contact: HRH Prince Saud Al-Faisal, Minister  
Riyadh 11124, Saudi Arabia  
Phone: (966 1) 406-7777, Fax: (966 1) 402-0100
- 14) Ministry of Health  
Contact: H.E. Dr. Osama Abdul Majeed Shobokshi, Minister  
P.O. Box 21217, Riyadh 11176, Saudi Arabia  
Phone: (966 1) 401-2220, Fax: (966 1) 402-6395
- 15) Ministry of Higher Education  
Contact: H.E. Dr. Khaled Al-Anqari, Minister  
Riyadh 11153, Saudi Arabia  
Phone: (966 1) 441-5555, Fax: (966 1) 441-9004
- 16) Ministry of Industry and Electricity  
Contact: H.E. Dr. Hashim Abdallah Yamani, Minister  
P.O. Box 5729, Riyadh 11127, Saudi Arabia  
Phone: (966 1) 477-6666, Fax: (966 1) 477-5488
- 17) Ministry of Information  
Contact: H.E. Dr. Fuad Abdul Salam Al-Farsi, Minister  
P.O. Box 843, Riyadh 11161, Saudi Arabia  
Phone: (966 1) 406-8888, Fax: (966 1) 405-0674
- 18) Ministry of Interior  
Contact: HRH Prince Naif Bin Abdul Aziz Al Saud, Minister  
P.O. Box 3743, Riyadh 11481, Saudi Arabia  
Phone: (966 1) 401-1111, Fax: (966 1) 403-3614
- 19) Ministry of Labor and Social Affairs  
Contact: H.E. Dr. Ali Al-Namlah, Minister  
Riyadh 11157, Saudi Arabia  
Phone: (966 1) 477-1480/477-8888, Fax: (966 1) 477-2250

- 20) Ministry of Municipalities and Rural Affairs  
Contact: H.E. Dr. Muhammad Ibrahim Al-Jarallah, Minister  
Riyadh 11136, Saudi Arabia  
Phone: (966 1) 456-9999, Fax: (966 1) 456-3196
- 21) Ministry of Petroleum and Mineral Resources  
Contact: H.E. Eng. Ali Al-Naimi, Minister  
P.O. Box 247, Riyadh 11191, Saudi Arabia  
Phone: (966 1) 478-1661/1133/7777, Fax: (966 1) 478-1980
- 22) Ministry of Planning  
Contact: H.E. Dr. Khaled Al-Gosaibi, Minister  
P.O. Box 358, Riyadh 11183, Saudi Arabia  
Phone: (966 1) 401-3333/1444, Fax: (966 1) 401-0385
- 23) Ministry of Posts, Telephone and Telegraph  
Contact: H.E. Dr. Ali Al-Juhani, Minister  
Riyadh 11112, Saudi Arabia  
Phone: (966 1) 463-4444, Fax: (966 1) 463-7072
- 24) Ministry of Public Works and Housing  
Contact: HRH Prince Miteb Bin Abdul Aziz Al Saud, Minister  
P.O. Box 56095, Riyadh 11151, Saudi Arabia  
Phone: (966 1) 405-8300, Fax: (966 1) 402-2723
- 25) Public Investment Fund  
Contact: Mr. Mansour Saleh Al-Maiman, Secretary General  
P.O. Box 6847, Riyadh 11452, Saudi Arabia  
Phone: (966 1) 478-3580, Fax: (966 1) 474-2693
- 26) Royal Commission for Jubail and Yanbu  
Contact: H.E. Saudi bin Thunayyan Al-Saud, President  
P.O. Box 5864, Riyadh 11432, Saudi Arabia  
Phone: (966 1) 479-4445, Fax: (966 1) 477-5404
- 27) Saudi Basic Industries Corporation (SABIC)  
Contact: Eng. Mohammad Al-Madi, Vice Chairman & CEO  
P.O. Box 5101, Riyadh 11422, Saudi Arabia  
Phone: (966 1) 401-2033, Fax: (966 1) 401-3831
- 28) Saline Water Conversion Corporation (SWCC)  
Contact: H.E. Dr. Fahd Balghneim, Governor  
P.O. Box 5968, Riyadh 11432, Saudi Arabia  
Phone: (966 1) 463-1111/0503, Fax: (966 1) 463-1952
- 29) Saudi Arabian Monetary Agency  
Contact: H.E. Hamad Saud Al-Sayyari, Governor  
P.O. Box 2992, Riyadh 11461, Saudi Arabia  
Phone: (966 1) 463-3000, Fax: (966 1) 463-4262
- 30) Saudi Arabian National Guard  
Contact: H.R.H. Prince Badr Bin Abdul Aziz Al-Saud, Vice President  
Riyadh 11173, Saudi Arabia  
Phone: (966 1) 491-2222, Fax: (966 1) 491-4429
- 31) Saudi Arabian Public Transport Company  
Contact: Dr. Abdul Aziz Al-Ohali, Director General

P.O. Box 10667, Riyadh 11443, Saudi Arabia  
Phone: (966 1) 454-5000, Fax: (966 1) 454-2100

32) Saudi Arabian Standards Organization  
Contact: Dr. Khaled Youssef Al-Khalaf, Director General  
P.O. Box 3437, Riyadh 11471, Saudi Arabia  
Phone: (966 1) 452-0000, Fax: (966 1) 452-0086

33) Saudi Consolidated Electric Company, Central Province  
Contact: Eng. Abdul Aziz Abdul Wahed, President  
P.O. Box 57, Riyadh 11411, Saudi Arabia  
Phone: (966 1) 403-1033, Fax: (966 1) 405-1191

34) Saudi Consulting House  
Contact: Mohammad Al-Ali Musallam, Director General  
P.O. Box 1267, Riyadh 11431, Saudi Arabia  
Phone: (966 1) 448-4533, Fax: (966 1) 448-1234

35) Saudi Fund for Development  
Contact: H.E. Mohammad Al-Soghair, Director General  
P.O. Box 50483, Riyadh 11523, Saudi Arabia  
Phone: (966 1) 464-0292, Fax: (966 1) 464-7450

36) Saudi Industrial Development Fund  
Contact: Mr. Saleh Al-Noaim, Director General  
P.O. Box 4143, Riyadh 11491, Saudi Arabia  
Phone: (966 1) 477-4002, Fax: (966 1) 479-0165

37) Saudi National Shipping Company  
Contact: Ahmad Banaja, Chairman  
P.O. Box 8931, Riyadh 11492, Saudi Arabia  
Phone: (966 1) 478-5454, Fax: (966 1) 477-8036

38) Saudi Arabian Airlines  
Contact: Dr. Khaled A. Al-Bakr, Director General  
P.O. Box 620, Jeddah 21421, Saudi Arabia  
Phone: (966 2) 686-0000, Fax: (966 2) 686-4552

39) Saudi Arabian Oil Company (Saudi Aramco)  
Contact: H.E. Abdallah Saleh Jumaa, President & CEO  
P.O. Box 5000, Dhahran Airport 31311, Saudi Arabia  
Phone: (966 3) 876-5229, Fax: (966 3) 876-6520

40) Saudi Arabian Railway Organization  
Contact: H.E. Naser Mohammed Al-Ajami, President  
P.O. Box 36, Dammam 31241, Saudi Arabia  
Phone: (966 3) 871-5151/3001, Fax: (966 3) 871-5154

41) Arab Satellite Communication Organization  
Contact: Eng. Saad Al-Badana, Director General  
P.O. Box 1038, Riyadh 11431, Saudi Arabia  
Phone: (966 1) 464-6666, Fax: (966 1) 465-6983

42) Naif Arab Academy Center for Security Sciences

Contact: Dr. Abdul Aziz Sagr Al-Ghamdi, President  
P.O. Box 6830, Riyadh 11452, Saudi Arabia  
Phone: (966 1) 246-3444, Fax: (966 1) 246-4713

43) Presidency of Civil Aviation  
Contact: H.E. Dr. Ali Bin Abdulrahman Al-Khalaf, President  
P.O. Box 887, Jeddah 21421, Saudi Arabia  
Phone: (966 2) 667-9000, Fax: (966 2) 671-7376

44) Saudi Red Crescent Society  
Contact: H.E. Dr. Abdulrahman Abdulaziz Al-Suwailem, President  
Riyadh 11129, Saudi Arabia  
Phone: (966 1) 474-0925/0027, Fax: (966 1) 474-0430

45) Central Department of Statistics  
Contact: Abdullah Al-Othaim, Director General  
P.O. Box 3735, Riyadh 11118, Saudi Arabia  
Phone: (966 1) 401-4138, Fax: (966 1) 405-9493

46) Civil Defense  
Contact: Major General Mohammed Ali Al-Sihaili, Director General  
Riyadh 11174  
Phone: (966 1) 479-2828, Fax: (966 1) 477-6579

47) Directorate General for Mineral Resources  
Contact: Ibrahim Khaberi, Deputy Minister for Minerals  
P.O. Box 2880, Jeddah 21461, Saudi Arabia  
Phone: (966 2) 667-4800, Fax: (966 2) 667-2265

48) General Electricity Corporation  
Contact: Fehaid Fahd Al-Shareef, Acting Governor  
P.O. Box 1185, Riyadh 11431, Saudi Arabia  
Phone: (966 1) 477-6666, Fax: (966 1) 477-5322

49) Economic Offset Secretariat  
Contact: Major General Ibrahim Mishari, Secretary to the Offset Committee  
P.O. Box 27040, Riyadh 11417, Saudi Arabia  
Phone: (966 1) 478-4330, Fax: (966 1) 478-4123

50) General Presidency for Youth Welfare Organization  
Contact: H.R.H. Prince Faisal Bin Fahd Bin Abdulaziz Al-Saud, President  
P.O. Box 7823, Riyadh 11421, Saudi Arabia  
Phone: (966 1) 401-4576, Fax: (966 1) 401-0376

51) Institute of Public Administration  
Contact: H.E. Dr. Hamad Ibrahim Al-Saloom, Director General  
P.O. Box 205, Riyadh 11411, Saudi Arabia  
Phone: (966 1) 476-8888, Fax: (966 1) 479-2136

52) Meteorology and Environmental Protection Agency (MEPA)  
Contact: Dr. Nizar Tawfiq, President  
P.O. Box 1358, Jeddah 21431, Saudi Arabia  
Phone: (966 2) 651-8887, Fax: (966 2) 651-1424

53) Saudi Arabian Department of Customs  
Contact: H.E. Saleh Al-Barrak, Director General

P.O. Box 3483, Riyadh 11471, Saudi Arabia  
 Phone: (966 1) 401-3334, Fax: (966 1) 404-3412

54) Saudi Consolidated Electric Company, Eastern Province  
 Contact: Fehaid Fahd Al-Shareef, Chairman  
 P.O. Box 5190, Dammam 31422, Saudi Arabia  
 Phone: (966 3) 857-2300, Fax: (966 3) 858-6060

55) Saudi Consolidated Electric Company, Southern Province  
 Contact: Eng. Abdulrahman Al-Tuwaijri, Chairman  
 P.O. Box 616, Abha, Saudi Arabia  
 Phone: (966 7) 227-1111, Fax: (966 7) 227-1627

56) Saudi Consolidated Electric Company, Western Province  
 Contact: Eng. Mahmmoud Abdullah Taiba, Chairman  
 P.O. Box 9299, Jeddah 21413, Saudi Arabia  
 Phone: (966 2) 651-1008, Fax: (966 2) 653-4139

#### Saudi Arabian Market Research Firms

1) Al-Saif Management and Economic Consultants  
 Contact: Dr. Mohammed E. Ghanim, Executive Director  
 P.O. Box 60944, Riyadh 11555, Saudi Arabia  
 Phone: (966 1) 465-1982, Fax: (966 1) 464-4668

2) Business Consultants International Group  
 Contact: Raed Al-Khaldi, Managing Director  
 P.O. Box 91450, Riyadh 11633, Saudi Arabia  
 Phone: (966 1) 478-6154/4275, Fax: (966 1) 478-3794

3) Consultancy & Research Center  
 Contact: Dr. Nicos Rossides, General Manager  
 P.O. Box 7188, Riyadh 11462, Saudi Arabia  
 Phone: (966 1) 479-3321/2673, Fax: (966 1) 479-4122

4) The Consulting Center for Finance and Investment  
 Contact: Dr. Abdulaziz M. Al-Dukheil, President  
 P.O. Box 2462, Riyadh 11451, Saudi Arabia  
 Phone: (966 1) 478-2525, Fax: (966 1) 476-8021

5) The Economic Bureau  
 Contact: Dr. Iraj Khajavi, Vice President  
 P.O. Box 86619, Riyadh 11632, Saudi Arabia  
 Phone: (966 1) 464-3938, Fax: (966 1) 465-4669

6) Arthur D. Little International  
 Contact: Ghassan Barrage, General Manager  
 P.O. Box 3266, Riyadh 11471, Saudi Arabia  
 Phone: (966 1) 477-0153/0227, Fax: (966 1) 477-0134

7) International Information and Trading Services Company  
 Contact: Hani Zahran, General Manager  
 P.O. Box 644, Al-Khobar 31952, Saudi Arabia  
 Phone: (966 3) 894-9603/7182, Fax: (966 3) 894-7182

#### Saudi Arabian Commercial Banks

- 1) Arab National Bank  
Contact: Neemat Al-Sabbagh, Managing Director  
P.O. Box 56921, Riyadh 11564, Saudi Arabia  
Phone: (966 1) 402-9000, Fax: (966 1) 403-0052
- 2) Saudi French Bank  
Contact: Bertrand Viriot, Managing Director  
P.O. Box 56006, Riyadh 11554, Saudi Arabia  
Phone: (966 1) 404-2222, Fax: (966 1) 404-2155
- 3) Saudi American Bank  
Contact: Robert S. Eichfeld, Managing Director  
P.O. Box 833, Riyadh 11421, Saudi Arabia  
Phone: (966 1) 477-4770, Fax: (966 1) 478-0823
- 4) Saudi Hollandi Bank  
Contact: Herman Erbe, Managing Director  
P.O. Box 1467, Riyadh 11431, Saudi Arabia  
Phone: (966 1) 401-0288, Fax: (966 1) 401-0968
- 5) Saudi British Bank  
Contact: Sandy Flockhart, Managing Director  
P.O. Box 9084, Riyadh 11413, Saudi Arabia  
Phone: (966 1) 405-0677, Fax: (966 1) 405-0069
- 6) United Saudi Bank  
Contact: Maher Kassem Al-Aujan, Managing Director  
P.O. Box 25895, Riyadh 11476, Saudi Arabia  
Phone: (966 1) 478-4200/8075, Fax: (966 1) 477-4469
- 7) Al-Rajhi Investment and Banking Corporation  
Contact: Abdallah Suleiman Al-Rajhi, General Manager  
P.O. Box 28, Riyadh 11411, Saudi Arabia  
Phone: (966 1) 460-1000/2015, Fax: (966 1) 460-2040
- 8) Riyad Bank  
Contact: Alan Thompson, General Manager  
P.O. Box 22622, Riyadh 11416, Saudi Arabia  
Phone: (966 1) 401-0908, Fax: (966 1) 404-0090
- 9) The Saudi Investment Bank  
Contact: Saud Al-Saleh, General Manager  
P.O. Box 3533, Riyadh 11481, Saudi Arabia  
Phone: (966 1) 477-8433, Fax: (966 1) 478-1557
- 10) Bank Al-Jazira  
Contact: Mishari Ibrahim Al-Mishari, General Manager  
P.O. Box 6277, Jeddah 21442, Saudi Arabia  
Phone: (966 2) 651-8070, Fax: (966 2) 653-0923
- 11) National Commercial Bank  
Contact: Abdallah Bahamdan, General Manager  
P.O. Box 3555, Jeddah 21481, Saudi Arabia  
Phone: (966 2) 644-6644, Fax: (966 2) 643-7670

## Multilateral Development Bank Offices in Saudi Arabia

## Islamic Development Bank

Contact: Abdul Raheem Imrana, Secretary General

P.O. Box 5925, Jeddah 21432, Saudi Arabia

Phone: (966 2) 636-1400, Fax: (966 2) 636-6871

## Washington-based USG Country Contacts

## 1) U.S. Department of Commerce

Contact: Robert Marro, Regional Director, US&FCS/ANESA

14th & Constitution Ave., N.W.

Washington, D.C. 20230

Phone: (202) 482-4836, Fax: (202) 482-5179

## 2) U.S. Department of Commerce

Contact: David Guglielmi, Desk Officer, MAC/ANESA/ONE, Room 2029b

14th & Constitution Ave., N.W.

Washington, D.C. 20230

Phone: (202) 482-1860, Fax: (202) 482-0878

## 3) TPCC Trade Information Center

Phone: 1-800-USA-TRADE

## 4) U.S. Department of Agriculture

Foreign Agricultural Service

Trade Assistance and Promotion Office

Phone: (202) 720-7420, Fax: (202) 690-4374

## 5) U.S. Department of State

Office of the Coordinator for Business Affairs

Phone: (202) 746-1625, Fax: (202) 647-3953

## Appendix F: Market Research

The following CS reports were completed in FY 99 and are available on the NTDB (Tel: 202/482-1986) and FAS reports are available from Reports Office/USDA/FAS, Washington, D.C. 20250.

Code	Report Topic	Completion Date
Drafter		
OGM	Oil & Gas Projects	10/20/1998
A. Malas		
PVC	Industrial Compressors	11/25/1998
H. Saeed		
APS	OEM Auto Parts	02/15/1999
J. Quadri		



CHM	Petrochemical Projects	02/20/1999	
A. Malas			
MED	X-Ray Equipment	03/25/1999	T.
Garfaoui			
ELP	Power Distribution	04/15/1999	
R. Saab			
WRE	Water Desalination	04/25/1999	
A. Noman			
CSF	Computer Security	05/25/1999	A.
Khayat			
APS	Engine Replacement Parts	05/25/1999	
A. Saeed			
APP	Women's Lingerie	06/25/1999	M.
Siblini			
TEL	Communications Equipment	07/15/1999	A.
Khayat			
DNT	Dental Equipment	07/15/1999	J.
Wathen			
BLD	Water Heaters	07/25/1999	H.
Saeed			
TRA	Leisure Travel	08/25/1999	T.
Garfaoui			
FRA	Business Services	08/25/1999	M.
Zahid			

The following CS reports are scheduled for completion in FY 2000 and will be available on the NTDB (Tel: 202/482-1986) and FAS reports will be available from Reports Office/USDA/FAS, Washington, D.C. 20250.

Code	Report Topic	Completion Date	
Drafter			
POL	Transition to Unleaded Gas	11/20/1999	
A. Malas			
SEC	Industrial Security	12/20/1999	J.
Wathen			
CPT	Personal Computers	01/20/2000	T.
Garfaoui			
PTE	Power Transmission Equipment	02/20/2000	
R. Saab			

FUR	Office Furniture	02/20/2000	
	M. Zahid		
OGM	Upstream Gas Projects	03/20/2000	
	A. Malas		
POL	Environmental Technologies	2nd Quarter	
	TBA		
WRE	Water Filtration Equipment	04/20/2000	
	H. Saeed		
CSV	E-Commerce	04/20/2000	A.
Khayat			
MIN	Mining Machinery	05/20/2000	A.
Noman			
DRG	Pharmaceuticals	06/20/2000	T.
Garfaoui			
APS	Auto Maintenance Franchising	06/20/2000	J.
Quadri			
APP	Women's Evening Wear	07/20/2000	A.
Noman			
MED	Medical Laboratory Equipment	07/20/2000	M.
Siblini			
TEL	Switching Systems	08/20/2000	A.
Khayat			

The U.S. Agricultural Trade Office (ATO) produced the following scheduled reports in FY 99:

COMMODITY	COMPLETION DATE
Grain & Feed Annual	03/01/99
Livestock Annual	08/01/99
Poultry Annual	08/20/99
Export Guide	08/30/99

The U.S. Agricultural Trade Office (ATO) will produce the following scheduled reports in FY 2000:

COMMODITY	DUE DATE
Grain & Feed Annual	03/01/2000
Livestock Annual	08/01/2000

Poultry Annual

08/20/2000

Export Guide

08/30/2000

The above scheduled reports may be downloaded from the FAS web site at WWW.FAS.USDA.GOV or can be obtained from ATO/Riyadh or from FAS/Washington 15 days after the due dates.

#### Appendix G: Trade Event Schedule

Event Name: Middle East Trade Mission

Event ID: N.A.

Event Location(s): Riyadh (Tentative)

Industry Theme: Secretarial

Dates of Event: October 8-18, 1999 (Planned)

Type of Event: TM

Post Recruiter/Control Officer: Charles Kestenbaum - (01) 488-3800 ext. 1517

Event Name: Pack Expo West

Event ID: N.A.

Event Location(s): Las Vegas, NV

Industry Theme: PKG

Dates of Event: October 18-20, 1999

Type of Event: IBP

Post Recruiter/Control Officer: Jeddah - Mohammad Zahid, (02) 698-3779 ext. 203

Event Name: Automotive Aftermarket Industry Week

Event ID: N.A.

Event Location(s): Las Vegas, NV

Industry Theme: APS

Dates of Event: November 2-5, 1999

Type of Event: IBP

Post Recruiter/Control Officer: Jeddah - Abdul Fattah Saeed, (02) 698-3779 ext. 202

Event Name: Comdex Fall

Event ID: N.A.

Event Location(s): Las Vegas, NV

Industry Theme: CPT

Dates of Event: November 15-19, 1999

Type of Event: IBP

Post Recruiter/Control Officer: Jeddah - Tahar Garfaoui, (02) 698-3779 ext. 209

Event Name: Dubai Air Show

Event ID: N.A.

Event Location(s): Dubai, United Arab Emirates

Industry Theme: DFN, AIR, APG

Dates of Event: November 20-25, 1999

Type of Event: RTM

Post Recruiter/Control Officer: Riyadh - Jalal Quadri, (01) 488-3800 ext. 1530

Event Name: Power Gen

Event ID: N.A.

Event Location(s): New Orleans, LA  
 Industry Theme: ELP, PTE  
 Dates of Event: November 30 - December 2, 1999  
 Type of Event: RTM  
 Post Recruiter/Control Officer: Riyadh - Habeeb Saeed, (01) 488-3800  
 ext. 1528

Event Name: Comnet/DC 2000  
 Event ID: N.A.  
 Event Location(s): Washington, D.C.  
 Industry Theme: CPT  
 Dates of Event: January 25-28, 2000  
 Type of Event: RTM  
 Post Recruiter/Control Officer: Riyadh - Ahmad Khayat, (01) 488-3800  
 ext. 1529

Event Name: Air Conditioning, Heating, and Refrigeration Show (AHR)  
 Event ID: N.A.  
 Event Location(s): Dallas, TX  
 Industry Theme: ACR  
 Dates of Event: February 7-9, 2000  
 Type of Event: RTM  
 Post Recruiter/Control Officer: Riyadh - Habeeb Saeed, (01) 488-3800  
 ext. 1528

Event Name: Environmental Technology Matchmaker  
 Event ID: N.A.  
 Event Location(s): Dhahran and Jeddah, Saudi Arabia  
 Industry Theme: POL  
 Dates of Event: March 2000  
 Type of Event: Matchmaker  
 Post Recruiter/Control Officer: ETE/TD/A. Novak; Dhahran - Ahmad Malas,  
 (03) 891-3200  
 Jeddah - Abdallah Noman, (02) 698-3779 ext. 205

Event Name: Infrastructure 2000  
 Event ID: N.A.  
 Event Location(s): Dammam, Saudi Arabia  
 Industry Theme: ZEC  
 Dates of Event: April 2000 (Tentative date)  
 Type of Event: RC  
 Post Recruiter/Control Officer: Dhahran - Richard Lyster and Ahmad  
 Malas, (03) 891-3200

Event Name: State of New Jersey Trade & Investment Mission  
 Event ID: N.A.  
 Event Location(s): Riyadh  
 Industry Theme: INV, FIN  
 Dates of Event: May 2000 (Tentative date)  
 Type of Event: TM  
 Post Recruiter/Control Officer: Riyadh - Charles Kestenbaum, (01) 488-  
 3800 ext. 1517

Event Name: Offshore Technology Conference (OTC)  
 Event ID: N.A.  
 Event Location(s): Houston, TX  
 Industry Theme: OGM  
 Dates of Event: May 1-4, 2000  
 Type of Event: RTM  
 Post Recruiter/Control Officer: Dhahran - Ahmad Malas, (03) 891-3200

Event Name: International Franchise Expo  
 Event ID: N.A.  
 Event Location(s): Washington, D.C.  
 Industry Theme: FRA  
 Dates of Event: May 5-7, 2000  
 Type of Event: IBP  
 Post Recruiter/Control Officer: Jeddah - Mohammad Zahid, (02) 698-3779  
 ext. 203

Event Name: Health Tech RTM  
 Event ID: N.A.  
 Event Location(s): Three U.S. cities (TBA)  
 Industry Theme: MED, DRG, HCS  
 Dates of Event: May 22-26, 2000  
 Type of Event: RTM  
 Post Recruiters/Control Officer: Jeddah - Tahar Garfaoui, (02) 698-3779  
 ext. 209

Event Name: Supercomm 2000  
 Event ID: N.A.  
 Event Location(s): Atlanta, GA  
 Industry Theme: TEL  
 Dates of Event: June 4-8, 2000  
 Type of Event: IBP  
 Post Recruiter/Control Officer: Riyadh - Ahmad Khayat, (01) 488-3800  
 ext. 1529

Event Name: Clinical Laboratory Exposition (AACC)  
 Event ID: N.A.  
 Event Location(s): San Francisco, CA  
 Industry Theme: MED, LAB  
 Dates of Event: July 23-27, 2000  
 Type of Event: IBP  
 Post Recruiter/Control Officer: Riyadh - Maher Siblini, (01) 488-3800  
 ext. 1541

Event Name: National Hardware Show  
 Event ID: N.A.  
 Event Location(s): Chicago, IL  
 Industry Theme: TLS  
 Dates of Event: August 13-16, 2000  
 Type of Event: IBP  
 Post Recruiter/Control Officer: Jeddah - Abdallah Noman, (02) 698-3779  
 ext. 205

Event Name: MAGIC Show  
 Event ID: N.A.

Event Location(s): Las Vegas, NV  
Industry Theme: APP  
Dates of Event: August 31 - September 3, 2000  
Type of Event: RTM  
Post Recruiter/Control Officer: Jeddah - Muwada Al Wazir, (02) 698-3779  
ext. 204

Event Name: American Society for Industrial Security Show (ASIS)  
Event Location(s): Orlando, FL  
Industry Theme: SEC  
Dates of Event: September 11-14, 2000  
Type of Event: RTM  
Post Recruiter/Control Officer: Dhahran - Jacquie Wathen, (03) 891-3200

End of Document